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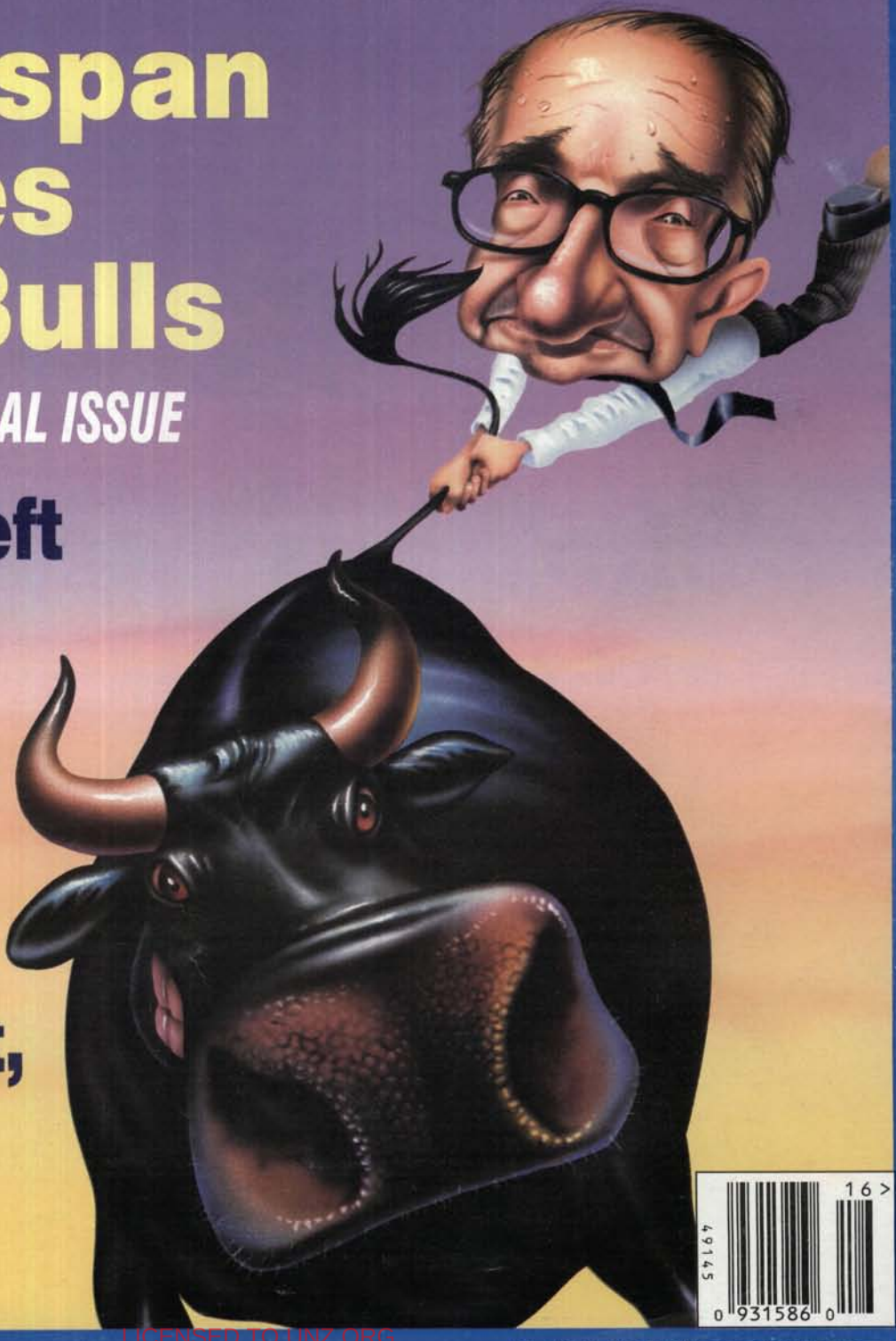
OUT OF AFRICA
by Thomas Sowell

Against Utopian Conservatives—John O'Sullivan

NATIONAL REVIEW

Greenspan Dances With Bulls

SPECIAL FINANCIAL ISSUE



Why the Left Hates the South

Florence King
Reid Buckley
Jeffrey Hart

After Newt, Who?

Rich Lowry

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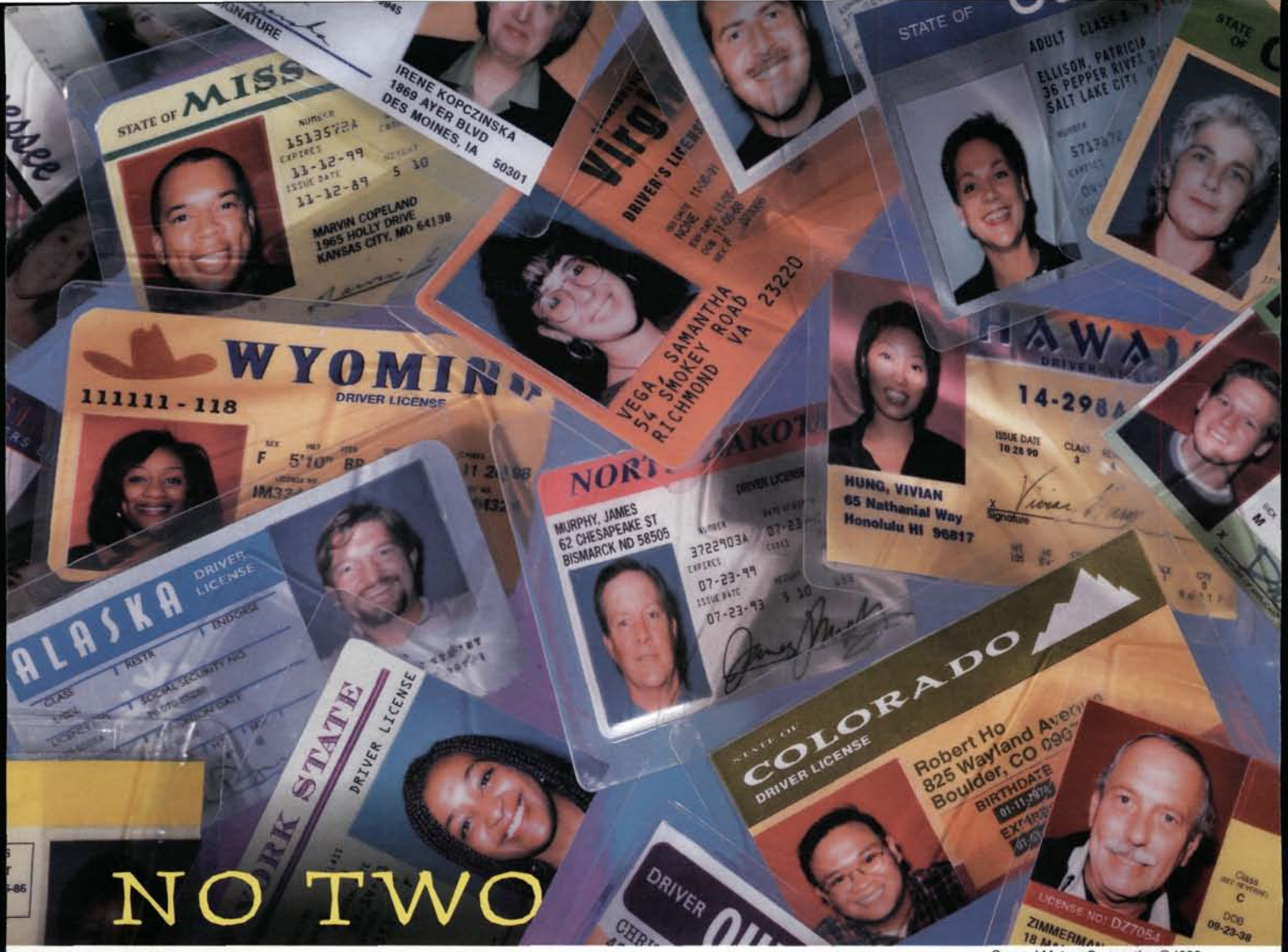

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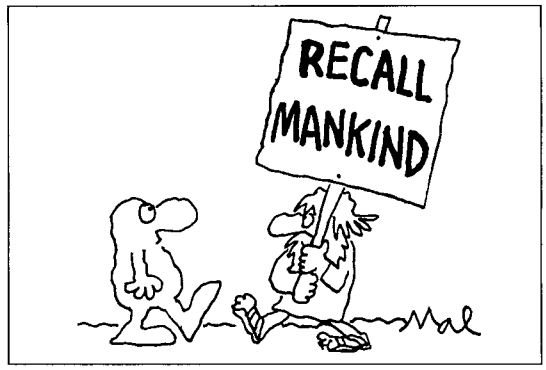
APRIL 21, 1997 VOL. XLIX, NO. 7



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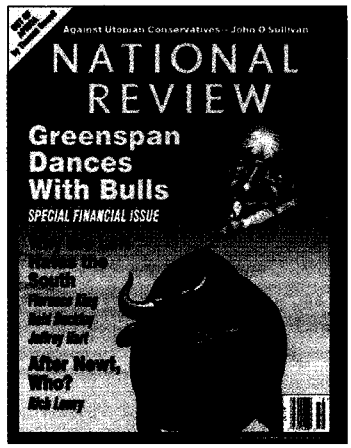

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LETTERS

Shame on You

I am writing to protest the vicious and ethnically insensitive caricature of Kate O'Beirne [April 7]. For shame! As an American of Irish descent I am deeply offended by this rendering of Mrs. O'Beirne. Seating Kate on a bottle of Irish whiskey deliberately calls to mind the most hateful of all negative Irish stereotypes. I condemn this gross display of latter-day Know-Nothingism!

On the other hand, the depiction of John O'Sullivan as a slightly gone-to-seed John Bull was in good taste and quite amusing.

Rep. Peter T. King (R., N.Y.)
Washington, D.C.

Latter-Day Saint?

Ramesh Ponnuru's "Latter-Day Liberal" [March 10] was a grossly unfair attack on Sen. Orrin Hatch. The very play on words concerning Sen. Hatch's religious affiliation ought to be beneath a distinguished magazine such as yours. Mr. Ponnuru suggests that Sen. Hatch holds his finger up to the political winds and trims his sails accordingly. In the process, Mr. Ponnuru argues, Sen. Hatch frequently turns his back on his fellow conservatives. Nothing could be further from the truth. Sen. Hatch spent four grueling weeks leading the effort in the Senate to pass the Balanced Budget Amendment. He is now taking the lead fighting for the Partial-Birth Abortion Ban Act. Far from turning his back on his fellow Senate conservatives, Sen. Hatch consistently leads us. In fact, Mr. Ponnuru reveals the absurdity of his own argument by conceding that Sen. Hatch has a 92 per cent lifetime voting record according to the American Conservative Union.

Second, Mr. Ponnuru asserts that Sen. Hatch has somehow shown an unconservative degree of compassion. Since when is humane concern for the young, the ill, the disabled, and the abused solely a characteristic of liberals? As conservatives, we can and must recognize legitimate social problems, while opposing big-government solutions. That is exactly what Sen. Hatch has done, time and time again. His efforts on child care during the recent welfare-reform debate in the Senate, for example, ensured local control and tax cuts in what would have been a pure liberal "entitlement" program in the original bill.

Third, Mr. Ponnuru argues that Sen. Hatch is too congenial, and too conciliatory, toward his liberal Democratic Senate colleagues. Specifically, Mr. Ponnuru accuses Sen. Hatch of wanting "to get along with everyone." Mr. Ponnuru seems to confuse civility with complicity. In fact, civility, which most senators make every effort to maintain, plays a vital role in helping the Senate do the people's business, despite profound philosophical differences.

Fourth, Mr. Ponnuru alleges that Sen. Hatch is not doing enough in his role as chairman of the Senate Judiciary Committee to stop President Clinton's liberal judicial nominees from being confirmed. No senator fought harder than Orrin Hatch to confirm President Reagan's nomination of Robert Bork, and President Bush's nomination of Clarence Thomas, to the Supreme Court. And Sen. Hatch has made it very clear that he will dedicate himself to weeding out the liberal judicial activists from among Clinton's choices. Burning down the whole field of Clinton nominees might be gratifying in the short term, but would inevitably come back to haunt a future Republican facing a Democratic Senate. But big-picture considerations seem to be beyond Mr. Ponnuru's purview.

Finally, Mr. Ponnuru pillories Sen. Hatch for demonstrating independent thinking. But conservatives are not monolithic (with the possible exception, of course, of Mr. Ponnuru). I have no doubt that Sen. Hatch's record of faithful and effective conservative leadership will earn him a lofty ranking on the honor roll of the great conservative statesmen of our time.

Sen. Bob Smith (R., N.H.)
Washington, D.C.

I didn't "attack" Sen. Hatch. Nor, despite the unfortunate headline, did I argue that he is a liberal. The article, indeed, mentions most of the conservative accomplishments listed in Sen. Smith's letter, plus a few more. I argued that Hatch has grown more liberal with time—certainly more so than one might expect of a senator from Utah—while his public reputation has remained that of a movement conservative. Still, I concluded, "he could yet become a conservative hero."

Far from faulting Hatch for "independent thinking" or "civility," I mentioned those traits as charitable explanations for Hatch's departures from conservatism. Since when do conservatives equate federal regulations and spending with compassion? For Hatch's latest offense, see Mr. Rubin's fine letter below. —RP

Mr. Ponnuru did an excellent job describing the recent drift of Sen. Hatch, and why conservatives have such a hard time trusting him. Since Mr. Ponnuru's examination, the senator has co-sponsored the Hatch–Kennedy Child Health Insurance and Lower Deficit Act, thereby further alienating conservatives. If passed, the legislation would drastically increase "sin taxes" on tobacco products. Two-thirds of the money would fund health insurance for children, and the other third would be used for deficit reduction. Should the tax bring in less revenue than expected (like most tax increases), the deficit would rise, and taxpayers would be stuck with the $20-billion tab for a new entitlement program.

When Democrats failed to federalize the nation's health-care system in 1993, they sought to achieve their agenda incrementally—starting with health care for children. Sen. Hatch seems to have bought into this mentality, calling Hatch–Kennedy "a good start," eerily mirroring the language of Mrs. Clinton's health-care task force, which termed the "Kids First" approach "a precursor" to full-blown ClintonCare.

Joseph Rubin
Americans for Tax Reform
Washington, D.C.

Déjà Vu

"For the Record" [March 24] contains the following from Sen. Chris Dodd (D., Conn.): "I would not argue that I was there, and I would not argue I was not there." It reminds me of the words of Buddha: "I have not elucidated that the monk who has attained exists after death; I have not elucidated that the arahat does not exist after death; I have not elucidated that the arahat both exists and does not exist after death—I have not elucidated that the arahat neither exists nor does not exist after death." While Sen. Dodd is not the most inscrutable of the folks in his bizarre calling, his remark is certainly going to prepare him for a tangential sling off the Wheel. I cannot persuade myself that that would be a bad thing.

Loring Emery
Hamburg, Pa.

Eric Felten's quotation of Sen. John McCain, "This President has a great ability to be sincere" ["Capital Scene," March 24] reminds me of Eddy Albert's observation that the most difficult part of acting is sincerity—"And when you can fake that, you've got it made!"

Frank C. Jackson
Seattle, Wash.

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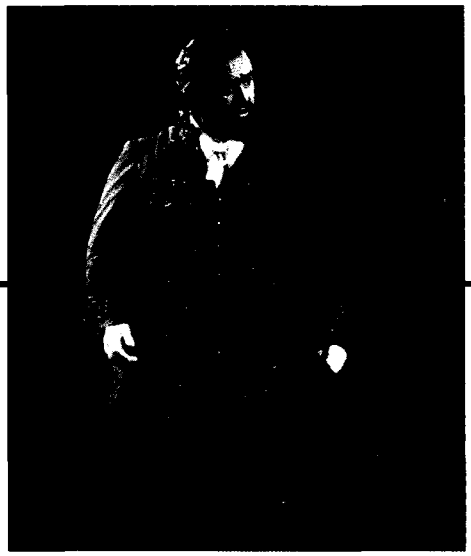

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FROM THE EDITOR

I Am Not a Camera

■ Readers sometimes ask that I write longer pieces for *NR*. Their wish is granted in this issue—with eight pages on the new shape of American politics and how conservatives are failing to recognize the Left's challenge, let alone meet it. Of course, they may now feel like the man on the *Titanic*: "I know I ordered ice, but this is ridiculous."

■ In our last issue, we criticized Stephen Glass, the author of a *New Republic* piece on the brutish behavior of some young conservatives at the CPAC conference, for participating in the humiliation of a young woman by some of the Calibans present. Friends of Mr. Glass protest that while he did not obstruct the young woman's humiliation, he did not "participate" in it either. He merely recorded what happened.

There is a distinction here, and I apologize to Mr. Glass if our brief summary inadvertently implied that he had actually assisted in the cruelty. Having said which, I and my colleagues still think that he should have abandoned his reporting role at some point in order to warn the young woman that she was about to be the victim of an unpleasant hoax. But even his failure to do that cannot be laid solely at his door.

The notion of reporting as requiring a sacred aloofness—not to be contaminated by the reporter's intervention—has become such an orthodoxy among journalists as to defeat all common sense. Some years ago, the PBS series *Ethics in America* outlined a problem of journalistic ethics: an American journalist was traveling with North Kosanese (read: North Vietnamese) forces when they came upon some American troops and were about to ambush them. Let Professor Hadley Arkes (*NR*, June 16, 1989) continue: "At this point, Mr. Peter Jennings allowed that he would not film the incident. In fact, he thought he might actually try to warn the American troops . . . For this mild reflex of national loyalty, Mr. [Mike] Wallace came down upon Mr. Jennings with a severe reproach: as a journalist, his responsibility was to the story . . . 'Granted you're an American, but you're a reporter covering combat . . . I'm at a loss to understand why . . . you would not have covered that story.' "

So Mr. Glass was following the rules of journalistic ethics *and* the advice of a giant of American journalism.

As it happens, later in the program Mr. Wallace had to acknowledge difficulties with his position when an American soldier present responded that if the journalist were wounded in the ambush, U.S. troops would be under an obligation to rescue him as a fellow American. But it was left to Professor Arkes, as so often, to solve the underlying conundrum: the loyalty of Mr. Jennings as an American (among many other things, a citizen living in a constitutional order that guarantees a free press) trumps his duties as a reporter.

Journalistic ethics must yield to the larger imperatives of national loyalty—and those of common decency.

■ An editorial on the "Manchurian Candidates" brouhaha appears in "The Week," but I would like to thank the readers who wrote, faxed, e-mailed, and telephoned to support our decision to publish Roman Genn's fine caricatures and to refuse the apology demanded by the Ethnic Grievance Industry.

After the first wave of orchestrated protests (easily recognizable from their identical phraseology), the balance of opinion has been running strongly for *NR*. Our Internet *Soapbox*, for instance, elicited 75 in favor to 30 against.

I would also like to thank those hostile correspondents who, after seeing me on television, declared themselves "scared" by my "sinister" and "arrogant" personality. *Moi?* Maybe I can get those Hollywood roles that James Mason used to specialize in.

As for the death threats and the marriage proposals, I don't know which are the more frightening.

—JOHN O'SULLIVAN

NATIONAL REVIEW

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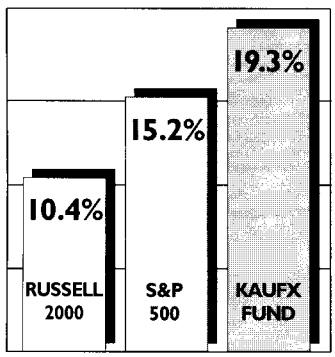

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FOR THE RECORD

■ On his radio show, **Michael Reagan** says, "I'm leaving a Republican Party that is rudderless and in full retreat from the conservative values and beliefs my father championed," adding he would return to GOP "when the Republicans come back to grass-roots America." . . . *The Nation*'s **Robert Borosage** exults, "In Washington, the sands are running out on the conservative era. Republican congressional leadership is an oxymoron. . . . This Republican Congress's major accomplishment to date has been passage of renewed funding for international family planning, not exactly a conservative priority." . . . Meanwhile, there is progress in the states. Iowa Republicans, with radio-ad assist from **Steve Forbes**, cut income-tax rates 10 per cent. Georgia Gov. **Zell Miller** (D.) has signed a ban on partial-birth abortion. . . . **Michael Schuyler** of Institute for Research on the Economics of Taxation finds that **Clinton** Administration is proposing roughly fifty tax increases; most would increase marginal rates, especially on funds that are saved and invested in corporate businesses. . . . Washington State Civil Rights Initiative, modeled on California's, is slated for 1998 if enough signatures are obtained. Donations should be sent to: 10002 Aurora Ave. N. #3346, Seattle, Wash. 98133-9334.

■ Sen. **Dianne Feinstein** (D., Calif.) endorses L.A.'s Republican mayor **Richard Riordan** for re-election over far-left challenger **Tom Hayden**. . . . Rep. **Jim Bunning** (R., Ky.), running for seat of retiring Sen. **Wendell Ford** (D.), counters charges that he's too old at 65: "There's a lot of people much, much older than I am in the U.S. Senate." As for charges he's too conservative, "All I can tell you is there are five conservative Republicans in five [of Kentucky's six] congressional districts." . . . **Tom Schatz**'s Citizens Against Government Waste releases 1997 Congressional Pig Book Summary, detailing 241 pork-barrel projects totaling over $1 billion. Sen. **Daniel Inouye** (D., Hawaii) wins CAGW Hall of Shame Award. . . . Sen. **Mitch McConnell** (R., Ky.), on the likely upshot of Democratic campaign-finance reforms: "Pornography and flag-burning would have more protection under the First Amendment than political discourse." . . . Rep. **John Kasich** (R., Ohio), whose presidential prospects for 2000 continue to arouse Beltway interest, annoys California GOPers by speaking at fundraiser for his frequent ally, Democratic Rep. **Gary Condit** (Calif.). . . . **David Winston**, Heritage Foundation senior fellow, becomes **Newt Gingrich**'s Director of Planning. . . . After **Walter Cronkite** attacks Christian Coalition as "genuinely radical movement known as the religious right wing," *Washington Post* reports that Cronkite "is coming out of the ideological closet." In fact, Cronkite has in past endorsed abortion-on-demand, denounced Reagan's foreign policy. . . . *Detroit Free Press* reports that anti-immigrationists tried to recruit GOP national committeeman **Chuck Yob** to run against pro-immigration Sen. **Spence Abraham** (R., Mich.) in 2000 before settling on Dr. **John Tanton**. Yob: "Number one, Spencer is my friend. Number two, we're from Michigan. When we talk about immigration, we're talking about Canadians. And we really don't care how many Canadians cross the border." . . . Sen. **Lauch Faircloth** (R., N.C.), new chairman of appropriations subcommittee on D.C., mends fences with local activists after telling *Washington Post*, "It's time to stop worrying about stepping on toes. There are many privileges of living in the capital of the U.S. Voting for mayor simply won't be one of them. If that bothers you, then move." . . . **Jeffrey Bell**'s activist group Of the People releases analysis showing that while its parental-rights initiative lost in Colorado last fall, it did better than its statewide average in Democratic strongholds. . . . **Guy Molinari** (R.), Staten Island borough president, and father of N.Y. Rep. **Susan Molinari** (R.), stirs furor by calling for death penalty for partial-birth abortionists—*their* skulls would be crushed and their brains extracted.

". . . And then I did a stint as a currency trader for the Democratic National Committee."

■ **Henry Kissinger** blasts Pres. Clinton's concessions to **Boris Yeltsin** on NATO expansion: "At Helsinki, Russian acquiescence to a decision that Moscow is in no position to prevent was achieved at an exorbitant price. . . . No member of the founding generation of the Atlantic Alliance would ever bring himself to say, as Clinton did at Helsinki, that NATO was 'basically a mirror image of the Warsaw Pact.'" . . . Finance minister **Theo Waigel** admits that Germany won't be able to meet standards to qualify for joining single European currency by Jan. 1, 1999. . . . German foreign minister **Klaus Kinkel** announced in Ankara, "it is clear that Turkey will not become a member of the European Community in the foreseeable future," strengthening Islamicist Prime Minister **Necmettin Erbakan** against pro-Western Foreign Minister **Tansu Ciller**. U.S. State Dept. spokesman **Nicholas Burns** earlier warned "our European friends they must think strategically of Turkey as European and not send negative signals." . . . **Per Jonsson**, General Electric's Moscow representative, says GE's Russian operation, despite sales of $600 million in 1996, is closing down because of erratic tax seizures without an appeal process. . . . Opponents have gone to court to stop the mayor of Solo, Indonesia, **Imam Sutopo**, from painting tree trunks, sidewalks, bridges, government buildings, schools, and flowerpots yellow—the color of Pres. **Suharto**'s Golkar Party.

■ From **Kellyanne Fitzpatrick**'s The Polling Company, two factlets: more Americans expect to win the lottery than to see the federal budget balanced in the near future, and 47 per cent of voters prefer root-canal surgery to an IRS audit. . . . Asked by **Hart & Teeter** poll for Council for Excellence in Government to identify two or three important successes of Federal Government, 42 per cent of those polled came up blank.

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THE WEEK

■ The Oscars passed over an Argentine fascist and an American pornographer to honor an adulterer who in real life was a homosexual Nazi. A very, very tough call.

■ Louis Farrakhan is enjoying the Strangest New Respect of all—and from conservatives, no less. Robert Novak has devoted two columns to his defense. Jude Wanniski has been cheerleading for him in increasingly extravagant terms: "The Jews he criticizes are those who hide behind Judaism in pursuit of a political agenda that he believes comes at the expense of black Americans, and I can easily agree with him there." Tony Snow, in the course of a fawning interview with Farrakhan, notes his social conservatism on, e.g., abortion. As the "dialogue" Mr. Farrakhan constantly seeks proceeds, will we soon be treated to Novak columns on UFOs and the "man-made virus" of AIDS, to name two of Farrakhan's other concerns? Meanwhile, the Rev. Ben Chavis, former head of the NAACP, has joined the Nation of Islam. Wanniski says that Farrakhan is "close to being recognized as the most important black man in the world." If so, it would behoove us all to pay attention to the kind of man he is. He is, first, a fraud who rakes in millions from poor people whom he has deluded into thinking they are contributing to black economic development. And he espouses a sort of inverted nationalism which feeds on the alienation of black Americans from their country. Is he a conservative? He may know some of the words, but he is singing them to a different tune.

■ It was good to see George Bush take a plunge *with* a parachute this time.

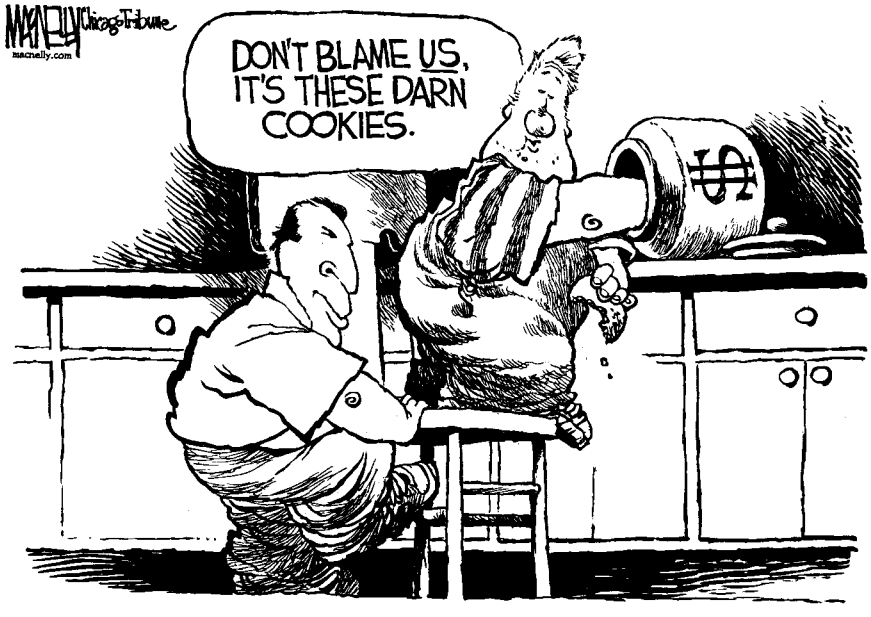
■ The Senate Rules Committee will soon hear from attorneys who have been considering the evidence and arguments submitted by Republican Woody Jenkins and Democrat Mary Landrieu over the fairness of last November's Louisiana Senate election. As *NR* first reported, the election was shot through with corrupt practices in the Democratic stronghold of New Orleans, including the outright buying of votes. Eventually the local New Orleans press picked up the story, and it has been running a steady diet of reports on the corrupt uses of gambling money on November 5 and the sleazy practices generally of the New Orleans mayor's political machine. The election, it seems clear, was irredeemably tainted. Which is precisely why Democrats can be expected to fight the idea of a full-throttle Senate investigation. The last thing they want is investigators with subpoena power wandering around "Senator" Landrieu's colorful backyard.

■ Last month, Beijing hosted a liberal who pretends to be a conservative and a conservative who poses as a liberal. And we think the *East* is inscrutable?

■ Nobody expected Republican National Committee Chairman Jim Nicholson to be the next Haley Barbour. But his slow start at the RNC is setting off alarm bells all over Washington. Insiders tell of low morale at RNC headquarters, and some talented staff have already departed. Nicholson has been hesitant about putting his own team in place until he makes a dent in the RNC's nearly $10-million debt, a strategy that is a prescription for drift. Nicholson, a well-liked homebuilder from Colorado, won the RNC race on the understanding that he would bring to the RNC his conservative, outsider credentials, while consultant Bill Greener would provide the inside-baseball knowhow to run the place smoothly. So far, Nicholson and Co. have delivered on only the first half of the bargain.

■ In case you had any doubts that he's running for President, House Minority Leader Dick Gephardt has returned $22,000 in campaign contributions from Lippo, John Huang, et al.

■ Watch for a well-organized, stealthy attempt by the anti-adoption movement to eliminate confidentiality of adoption procedures. Under "open records" laws being pushed in Maryland, Missouri, Oregon, and many other states, adopted children would be able to seek out their birth mothers and vice versa. (Tennessee has already enacted a law, now tied up in court.) When Great Britain adopted such a law, infant placements dropped *70 per cent* in ten years. Already, fears about the future protection of



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A NOTICE TO CUSTOMERS OF THE BIG BELL MONOPOLIES:

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According to the FCC, for every dollar you spend on long distance, local phone monopolies charge you 40 cents.

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Last year Big Bell monopolies overcharged their customers by billions of dollars.

For more information on how to stop these overcharges, visit this Web site: **www.overcharge.com** or call **1-800-947-5050**.

Source: Consumer Federation of America, et al., March 1997; Telecommunications Industry Revenue, FCC, December 1996; Hatfield Associates.

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records are causing some families to adopt overseas. A lot more American children will languish in foster care—or be snuffed out in the womb—if adoption loses its legal protections.

■ In *Hopwood* v. *Texas*, a three-judge panel of the United States Court of Appeals for the Fifth Circuit held unconstitutional the policy of the University of Texas Law School whereby blacks and Mexican-Americans were automatically admitted even when they had test scores lower than those which required the automatic rejection of whites. A quest for educational "diversity," the court held, was not a justification for racial discrimination, Justice Powell's opinion in the 1978 *Bakke* case to the contrary notwithstanding. The state's petitions for a rehearing by the full court and for review by the Supreme Court were both denied. Now Norma V. Cantu, assistant secretary of education and chief of the department's Office of Civil Rights, has informed the university that it may continue to practice racial discrimination despite *Hopwood*, and implied that failure to do so could result in the cutoff of federal funds. Federal civil-rights officials once took a different view of claims by Southern states that they were not bound by federal court orders prohibiting racial discrimination—and sent in the Army. It should be interesting to watch the Clinton Administration as it tries to punish the university for complying with the law.

■ Asked why they smoke so much, a group of Chinese promised Al Gore they would quit if he stopped telling the story about his sister.

■ Twelve years and $1.8 billion after his first court order made the Kansas City metropolitan school district the construction mecca of the Midwest, Judge Russell Clark issued his final desegregation ruling. Judge Clark is best known for imposing taxes by fiat to build and renovate "magnet schools" that would entice white children from the suburbs. It didn't work. The schools, always heavier on architecture than academics, never attracted more than 1,500 whites into the 35,000-student district, and in June 1995, the Supreme Court called a halt to Judge Clark's experiments. Hence this swan song, replete with the bizarre quantifications for which he is famous: having previously held that four white children must sit beside six black children, he now argues that 9 per cent of the gap between white and black test scores stems from vestiges of discrimination, and 4 per cent from current teachers' racist attitudes. The upshot: Kansas City taxpayers will continue to fund desegregation programs, but the state of Missouri, upon paying $320 million more, will no longer be liable for whatever vestiges of discrimination Judge Clark's successors can uncover. He further proposes that the schools be turned over to Dr. Robert Bartman, Missouri's commissioner of education. So Judge Clark's good-bye present includes a $320-million buyout, more unconstitutional taxes, and the prospect of more remote control. Judge not.

■ After months of "Will they or won't they?" speculation, the Federal Reserve raised the short-term interest rate by a quarter of a percentage point (to 5.5 per cent). Markets treated the news with a modest hiccup. Thanks to Mr. Greenspan's recent speeches and congressional testimony, the move was generally expected. The bond market has been far ahead of the Federal Reserve all year. Long- and medium-term rates have moved up since December. Rates on 30-year Treasury bonds and mortgages are almost half a percentage point above December levels. The reason? As the economy starts its seventh year of expansion, forecasters have been fooled yet again. The economy is doing better than expected. Spending and borrowing, profits and wages, employment and production are all growing. The hope stirs that perhaps we can finally end the old myth that expansions end because they run out of gas. But the recent expansion has been helped by an acceleration of money reminiscent of the bad old days of Jimmy Carter and Arthur Burns. By holding short-term interest rates unchanged, the Fed allowed banks and financial firms to borrow at low, fixed rates while investing in mortgages and securities with rising rates. Naturally they did just that, and the Fed pumped out reserves and money in the process. Much the same thing was happening in Germany, Japan, and other industrial countries trying to end a long period of recession and slow growth. The Fed having been behind the curve, Mr. Greenspan's decision was a no-brainer. The chance that a quarter-point increase in short-term rates would kill the expansion is about zero; the chance that continued high monetary growth would bring rising inflation later this year or next is much greater. Most likely, the Fed will have to act again—and soon. The goal should be to get inflation to zero and keep it there. Only a few liberals like Sen. Paul Sarbanes, and some of the more zealous supply-siders, still believe in risking another round of inflation. Some folks never learn.

■ Hillary Clinton got through her six-country African tour without demanding witch-doctor reform.

A Slogan. Any Slogan.

Fifty-four forty or phooey.
My country, manic or nuts.
Tippecanoe and Tom Dewey.
Hang Kaiser Bill—he's a futz.
Hanging together was witty.
Damn the torpedoes was fun.
Running the House by committee
Doesn't do diddly-poo, hon.

—W. H. von Dreele

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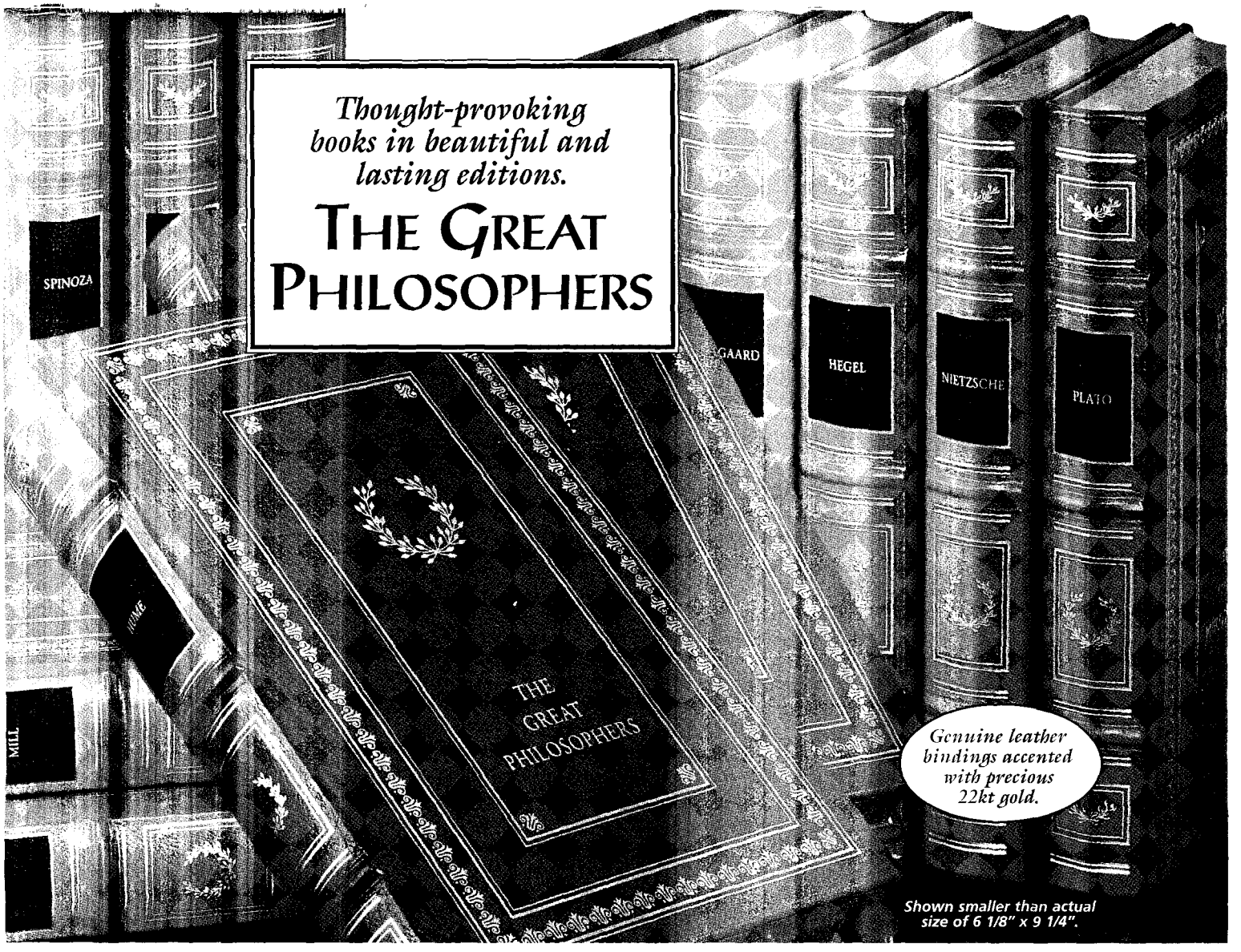

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Ickes Strikes Again

With coffee files so steaming hot
They'd have attracted Mrs. Lot,
He put the kibosh on the spin
McCurry had been dunking in,
As Beltway Washington records
That vengeance isn't just the Lord's.

—W. H. VON DREELE

■ A Jordanian border guard runs amok and guns down seven Israeli schoolgirls; a Palestinian suicide bomber kills three Israeli women at a sidewalk café in Tel Aviv. Palestinians riot in the West Bank, throwing rocks and Molotov cocktails at Israeli soldiers, to protest the construction of new Jewish housing in the eastern part of Jerusalem. No "peace process" sanctions mob violence and terrorism as legitimate instruments of pressure. The place to register complaints is at the negotiating table, and the world's indulgence of the Palestinians in this regard is breathtaking. All the more so as evidence mounts that PLO Chairman Yasir Arafat, instead of suppressing the Islamic extremist group Hamas as he pledged to do in the Oslo accords, held secret meetings with Hamas leaders in early March and gave them the green light to resume terrorist attacks. *NR* readers will know (see Ze'ev Schiff, "Dilemmas after Hebron," March 24) that the new Jewish housing being built at Har Homa was planned not by Benjamin Netanyahu's Likud government but by the predecessor Labor government, on mostly Jewish-owned land. So the issue this time (as last September, when a tunnel near the Temple Mount caused riots) is contrived. Netanyahu, meanwhile, has made a bold proposal: to skip the remaining incremental steps outlined in Oslo, and to negotiate directly on the core issues (sovereignty, final borders, Jerusalem, refugees, water). He proposed this during the Hebron talks, but was stiffed by both the Palestinians and the Americans. The Israeli proposal deserves American backing this time. But negotiations can proceed only when Arafat stops double-dealing and conniving in terror.

■ Black angry man Spike Lee converted to Islam while filming his 1992 movie *Malcolm X*. Lee now admits that his conversion was merely a ruse to visit Mecca, the sacred city open only to Muslims: "I was not a Muslim" then, Lee has testified in court. Too many easy wins in America—crying racism when he doesn't win assignments or prizes, urging kids to skip school to see *Malcolm X*—may have caused Lee's skills as a mau-mau artist to slip. Has the brother never heard of a *fatwa*? Maybe this time he dissed the wrong folks.

■ When the Dalai Lama visited Washington, D.C., in 1994, his admirers asked that he be invited to address a joint session of Congress. Nelson Mandela and Lech Walesa had been invited in previous years. The session never took place because Speaker Newt Gingrich vetoed it. This month the Dalai Lama will be back in Washington, and Rep. Ben Gilman (R., N.Y.), chairman of the House International Affairs Committee, has asked Gingrich for a joint session. Reps. Chris Cox (R., Calif.) and Tom Lantos (D., Calif.) have circulated a "Dear Colleague" letter in support of this move; on the Senate side, Jesse Helms, chairman of the Foreign Relations Committee, is also in favor. Religious freedom is the theme of the Dalai Lama's visit this year. Mr. Gingrich stood up for religious freedom when he was in China. Will he now do so on Capitol Hill?

■ The Liggett Group, America's fifth largest maker of cigarettes, has announced that cigarettes are addictive and can cause cancer. From a legal and financial standpoint, this admission will have far-reaching consequences. In exchange for settling lawsuits filed by 22 states, Liggett has agreed to surrender 25 per cent of its pre-tax profits to these states for the next 25 years. Other companies will have to reach similar arrangements—or keep fighting the onslaught of suits in court. From the standpoint of public information, however, all that has happened is that a cigarette company has reached the same conclusion that doctors, the government, and the public reached decades ago—and that cigarette packs have carried as a public-health warning ever since. It is dishonest of smokers and states to pretend that, until Liggett's coerced confession, they had assumed otherwise.

■ The latest issue of *Nature* magazine publishes an effort to discredit the inconvenient satellite weather measurements produced for NASA at the University of Alabama at Huntsville, which showed a slight cooling trend over the 18 years they have been taken. The authors of the *Nature* piece say the satellite data are no good because the satellites last only about ten years and the researchers messed up the recalibrations when new satellites were sent up in 1981 and 1991. But they based their claim of inaccuracy on average global temperatures as estimated by general-circulation climate models. As University of Virginia climatologist Patrick Michaels points out, global warming is a "strange scientific world," where modeling which has proved inaccurate is used to "correct" observed data. In normal science, he adds, observations are used to correct a theory, not vice versa.

■ Cultural misunderstandings are reported Down Under, where the acclaimed Aboriginal painter Eddie Burrup turned out to be an 82-year-old Irish lady. In the same week, Wanda Koolatrie, winner of the prestigious Dobbie Award for her autobiographical "comic odyssey," *My Own Sweet Time*, hailed as a "lively, gutsy story of an urban Aboriginal making it in the tough city countercul-

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ture of the mid Sixties," was revealed to be one Leon Carmen, who is white, male, and ethnically incorrect.

Al and Newt's Spring Break

THE Vice President and the Speaker of the House made separate trips to China in March. Both were under close scrutiny from home, and, China being a hot potato, it was a good test of political skills. Al fell on his face; Newt did rather well.

Poor Al was a kind of sacrificial lamb. Months before, the Administration had laid on a schedule of happy events designed to restore U.S.–China relations to their pre-Tiananmen warmth: agreements last November on an exchange of presidential visits, an agreement on China's entry into the World Trade Organization (still pending), renewal of China's Most Favored Nation trading status in June, then a visit by Chinese president Jiang Zemin in the fall. But the warm and fuzzy scenario has been chilled by the winds of domestic alarm about China's looming power, and by allegations of Chinese government involvement in the campaign-financing scandals.

Al never had a chance. He was scheduled to preside over a signing ceremony in Peking for some big job-making deals for Boeing and General Motors. But in the present sour atmosphere he was uneasy even about attending. Then the Chinese sandbagged him by breaking out champagne for a toast. The photos will be ammunition in the arsenals of all his opponents in 2000.

But even forewarned, he seemed unarmed. He gave reassurances that scandals at home would have no effect on U.S.–China relations—a promise he is in no position to fulfill. Human-rights issues were skirted in favor of animal rights—he made an absurdly irrelevant *nostra culpa* about how Americans slaughtered buffalo when we settled the West. Taiwan was never mentioned.

Newt could have fallen into the same traps, but didn't. He forthrightly told an audience of young Chinese diplomats that economic freedom did not mean much without political freedom. He warned Chinese leaders flatly that the U.S. "will defend Taiwan. Period." (And he included a visit to Taiwan on his itinerary.) He insisted that any suppression of Hong Kong's liberties after takeover would harm U.S.–China relations. When Chinese leaders denied involvement in the campaign-financing scandal, he pressed them to cooperate in identifying any "renegade" elements that might have been involved. On Easter Sunday, he even attended church services in Shanghai (alas, not with independent Christians—which he had flirted with doing—but at the state-fostered church).

Both travelers come home to problems. Al's gaffes only whetted his rivals' appetites for 2000. Newt faces rivals in 1997, as reported by Rich Lowry (p. 19), and a discontented and rudderless House GOP. But for a Speaker often dismissed as a foreign-policy neophyte, it was largely an impressive performance. Al was out of his depth.

The Week in Verse

The cherry blossom paints the woodland spring,
The robin chirps, *Miss Finch* is on the wing,
But comets now for two years in a row
Have traced the sky at *Easter* with their glow
And by their influence (some say) *Earth* rocks
With fearful omens, round the *Equinox*.
Does *Heaven* mean to warn us or chastise
When fire's aloft, and *Bush* drops from the skies?
What portents come to shake the poor snowdrop
With Northeast gales and vagrant *Hale–Bopp*?
Or suicides of cultists on their way
Straight to the stars from *Rancho Santa Fe*,
Or stars a little further up the coast
Who make *The English Patient* Oscar's toast,
Or rebel armies spreading through Zaïre;
As to *Kinshasa* they draw near and near,
They promise new democracy—and half-price beer.

Or, stranger even than such signs as these,
Gore selling *Buicks* to the *Red Chinese*
(He's better looking and he's twice as smart,
But there's new heart, somehow, in old *Gephardt*).
While *Newt*, though "roadkill" (so at least says *King*),
Warns from *Taiwan* the tyrants of *Beijing*.
(Himself is warned, he may be Speaker but
This talk of cutting tax cuts must be cut.)
So, too, the trial begins of *Tim McVeigh*
While sheriff's deputies must lead away
The football trophies and the golf clubs of *O.J.*

The end is nigh, on that we can agree,
But what specific dire augury—
The storms? The comet? Leaves left in his cup?—
Tells *Greenspan* that it's time to put rates up
And markets down, lest somebody inflates?
His powers of prophecy like *Heaven's Gate's*,
Why's this, alone among the powerful,
The only one to sacrifice the *Bull*?

—JUVENAL

Gatecrashers

A FUNDAMENTALIST preacher in New Mexico, interviewed after the suicide of the Heaven's Gate cultists, recalled that he had had a theological argument with one of them, who he concluded was possessed—not by "a red devil with horns," but by "a pervading form of darkness."

What darkened the minds of Marshall Applewhite and his acolytes? America is a devout country; every statistical measure of faith here—belief in God, church attendance—is off the curve for industrial societies. America also enjoys religious freedom. Every sect that ever was, and any that we choose to make up, can flourish. One conse-

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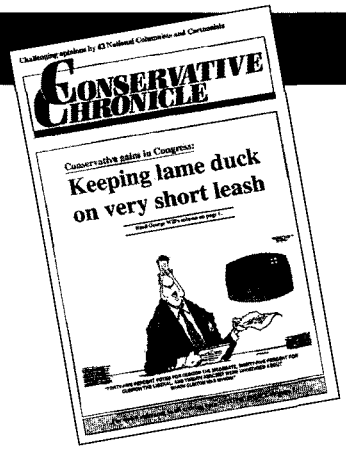

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quence of these facts is a long tradition of religious oddballs. But nowadays, as many established Christian and Jewish denominations lose their force, and as the political establishment drives religion from the public square and public consciousness, Americans on the margins must hunt for new religious vocabularies. In the nineteenth century, the Shakers or the Oneida Community professed to fulfill Christianity. The Heaven's Gate crew turned to lingo that would fizzle at a *Star Trek* story conference.

Since the suicides occurred in Holy Week, it is appropriate to note two of the many differences between Mr. Applewhite and Jesus Christ. Jesus viewed death as a sacrifice; He wanted to save the world, not to shed His container. He also did not require anyone to share His end; in fact, He knew that one disciple would betray Him and another would deny Him. Then, and for two thousand years since, Christians follow their Lord because (with grace) they choose to.

Helsinki Illusions

PRESIDENT Clinton met with Boris Yeltsin in Helsinki to end the conflict over NATO enlargement. Russia wants to head it off but, failing that, to extract the maximum "compensation" from the West. Accordingly, Russia has been on a year-long tantrum, threatening the West (including the Central Europeans and Balts) with dire consequences if NATO enlargement should proceed. It was a bluff, but it has paid off.

NATO has tripped over itself to give Russia reassur-

Right Data

DONE your taxes yet? About half the 58 million people who file 1040 forms this year will do the work themselves, spending an average of nearly 12 hours trying to comprehend and comply. The 1040, of course, is just one of many forms and schedules Americans must contend with. According to the IRS, businesses will spend 3.4 billion hours and individuals about 1.8 billion hours on tax paperwork. That's equivalent to 3 million people—more than the entire armed forces—doing nothing but taxes all year.

Why does it take so much time and effort to comply with the tax code? Consider the sheer size of the tax code and the number of times it has changed. From 1954 to 1994 the number of words in the income-tax code increased to more than 800,000 from less than 200,000. On average, each section of the tax law is amended every four years. With each amendment come new forms, instructions, and record keeping.

Defenders of the current system say it is not that bad because most taxpayers file simple returns, such as the 1040EZ. But these "simple" returns are not that simple. The Tax Foundation calculates it takes the average taxpayer 2.9 hours to complete the 1040EZ. Why so long to fill out a form that is slightly bigger than a postcard? Because this form comes with an instruction booklet that's 36 pages long. And many who opt for "simplicity" do so after keeping the records on mortgage interest, child-care expenses, state and local taxes, and other deductions that would be necessary if they filed a longer form. A flat-tax system, by contrast, would relieve taxpayers of most record-keeping chores.

Americans spend about $225 billion complying with the tax code, according to the Tax Foundation. That's equivalent to a 15 per cent surtax levied on all federal tax receipts. This figure probably understates the true burden, for it omits the cost of dealing with audits and IRS correspondence. The tax agency sends more than five million computer-generated letters each year seeking adjustments and/or penalties. Incredibly, a General Accounting Office survey found that 48 per cent of all actions initiated by IRS correspondence were either "incorrect, unresponsive, unclear, or incomplete." The IRS's own data indicate that about 40 per cent of penalty assessments are erroneous.

A 40 per cent error rate? IRS apologists concede that the tax code is so complex that the tax agency often has trouble understanding it. But Daniel Pilla, a tax-litigation consultant in St. Paul, Minnesota, has a different read: "Without any investigation of the facts of particular cases, [the IRS] simply imposes penalties. It is then up to the taxpayers to seek cancellation . . ."

Furthermore, notes Pilla, IRS taxpayer-assistance personnel actively discourage challenges. Taxpayers are told that, for example, "penalties cannot be canceled," and "the penalty must be paid before it can be challenged." Neither statement is correct—yet taxpayers are cowed into inaction.

On paper, the IRS appears a model of efficiency. With an operating budget of $8 billion the agency will collect an estimated $1.5 trillion in 1997, or $100 in taxes for every 55? cents of cost. Those numbers impress Congress, which has voted to double the IRS budget over the past ten years. Unfortunately, IRS "efficiency" reflects, at least in part, the actions of one of the most oppressive and non-democratic institutions in our society.

—Ed Rubenstein

Cost of Complying with Federal Income Taxes
(1996 Tax Year)

Form	No. of Returns (Mils.)	Ave. Hours Per Form	Ave. Cost Per Form (a)
1040	58.3	11.6	$487
1040EZ	15.5	2.9	122
1041 (estates/trusts)	3.1	97.9	4,112
Sched. A (deductions)	44.9	4.6	193
Other schedules	186.1	3.4	143
Total—current system	307.9	6.1	256
Total—Armey Flat Tax	91.6	1.1	46

Source: Tax Foundation, IRS.
a. Calculated at $42/hour, the combined average wage of IRS and Price-Waterhouse employees.

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With Al in China

He saw the champagne dolly;
It bore down, bearing flutes.
He also saw the cameras.
He feared the jeers and hoots.
Li toasted him with bubbly;
He had to chug-a-lug.
A video's gestating.
Dick Gephardt's looking smug.

—W. H. VON DREELE

ances—pledging that no nuclear weapons will be moved eastward; ditto no substantial NATO troops; reopening treaties on strategic and conventional arms to give the Russians a break. But the worst came at Helsinki. Mr. Clinton has now all but promised Russia a seat at the G-7 economic summits, agreed to dangerous limits on U.S. anti-missile defenses in the name of the 1972 ABM Treaty, and given Russia a virtual seat in NATO councils.

The last is the most serious. As Henry Kissinger pointed out in a stinging critique, the generation that now governs us, formed by the Vietnam experience, sees the Alliance of the Western democracies as a Cold War relic—something to apologize for. It was the "mirror image of the Warsaw Pact," our President opined in his Helsinki news conference. Thus, its "profound transformation" is required. Letting the fox into the chicken coop will do that, for sure. A new NATO–Russia council is being formed, in which Russia will be a full member, not merely an occasionally invited guest.

Mr. Clinton assures us that Russia will have "a voice, not a veto," in Alliance deliberations. But Yeltsin's foreign-policy advisor, Dmitri Ryurikov, had a clearer picture. In a Moscow interview, Ryurikov insisted that President Yeltsin "acts on the assumption that if our country has a voice, it will have the right to block decisions that are unacceptable to it," adding wryly, "otherwise, there is no sense in having a voice."

What can be done? At a minimum, the Russians, having been the beneficiary of such largesse, must call off their campaign against a larger NATO. This means no more bullying of their neighbors—especially the Balts or Ukraine. They've been bought off; let them stay bought.

Beyond this, the U.S. Senate has to look for ways to undo some of the damage. The agreement on missile defense is essentially a treaty amendment, which requires Senate approval. Even the NATO–Russia "charter" can be fixed somewhat, if the Senate, when the time comes to vote on new NATO members, reaffirms some basic principles about the Alliance: that the North Atlantic Council (not any new NATO–Russia council) remains the supreme forum for Alliance deliberation and decisions, and that nothing shall interfere with the Alliance's right to defend its members by any means necessary.

The Atlantic Alliance is something to be preserved and expanded, not apologized for—or neutered.

Worth a Thousand Words

VICE PRESIDENT Gore as Confucius, courtesy of *The New Yorker*, adorns this page and, if the Asian-American branch of the Ethnic Grievance Industry has any concern for consistency, will shortly stimulate protesting letters and faxes to that magazine's editor, Tina Brown, accusations that Miss Brown is a "racist," and perhaps even a rally outside *The New Yorker*'s office. In that event, our advice to Miss Brown is to stand firm and refuse the apology usually demanded on these occasions. For among the lessons *NR* has learned from the flap over our "Manchurian Candidates" cover are the following:

1. The politicized imagination is an aesthetically disabled one. Once told that the cover was "racist" and "anti-Asian," even though the three people caricatured were WASPs, EGI operatives saw stereotypes everywhere. Mr. Clinton, for instance, was said to be serving tea—allegedly a stereotype of the Chinese as servants. In fact, the *coffee pot* in the cartoon was a plain reference to the President's inviting people into the White House for coffee at $30,000 a cup. For the politically correct, however, believing is seeing.

2. EGI guidelines have apparently decreed any stereotype to be "racist," thus demonstrating that the industry has no idea of what a stereotype is, or the legitimate uses to which it may be put. A stereotype is a group caricature. It highlights or exaggerates certain features to make a point: the British are stuffy (symbolized by a bowler hat), Americans brash (a Stetson), Germans authoritarian (a spiked helmet), etc. Many fine political cartoons could not have been drawn without such ready references; they would have required written explanations. The test should be: Does the caricature hold up an ethnic or social group to contempt and hostility? The "Manchurian Candidates" cover plainly did not; its targets were legitimate ones—the President, the Vice President, and the First Lady—and it employed stereotypes for the non-stereotypical purpose of drawing attention to the Clinton Administration's illegal fundraising from foreign sources.

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For the politically correct, however, seeing is beside the point.

3. When the "race card" is played in today's politics, it is usually dealt underhand by the Left. The organizers of the campaign against *NR* were almost all either Democratic Party activists or EGI operatives in bodies politically allied to the Democrats. The most egregious case was the woman, listed as a supporter of the street demo outside *NR*'s Washington office, who earlier had written a memo to the Democratic National Committee's officer in charge of outreach to Asian-Americans suggesting that the DNC should "say that the attacks [on John Huang and the Lippo Bank!] are racist." Indeed, a whole sheaf of DNC memos in *NR*'s possession discusses how best to transform a real Democratic scandal over illegal fundraising into an imaginary Republican scandal over anti-Asian race-baiting. The attack on *NR*'s cover was clearly a skirmish in that fraudulent campaign.

4. The best response to false charges of racism is not to give a tactical apology but to demand a real apology for the malicious falsehoods. The "anti-racism" game is usually played thus: charge someone with a capital offense; agitate against him in the court of public opinion; agree to accept a guilty plea to inappropriate parking from the cowed victim; and then trumpet this concession as equivalent to his admitting the original charges. Corporations that make a tactical surrender to this sort of intimidation find their shareholders losing hundreds of millions of dollars and their executives attending "sensitivity" lectures given by "diversity" mountebanks. They also invite further attacks.

NR, however, resisted these tactics, and indeed, counterattacked; and its victory in this battle for public opinion is symbolized by a fair-minded account of the brouhaha in last Sunday's *New York Times*. We were strengthened by the support that flowed in from our readers—including many Asian-Americans who assured us that they thought the EGI's attacks bogus and shameful. (A selection of letters will be published in our next issue.) If others falsely charged with racism are sufficiently heartened to mount a similar resistance, then the "Manchurian Candidates" flap may yet become the Grenada of racial politics.

NOTES & ASIDES

Marvin Liebman, R I P

THE telephone call came in from a man who could not control his sobbing, and didn't want to do so. Marvin Liebman was dead. He had been taken to the hospital after heart palpitations on Sunday night and, in the late morning, died. He was 73.

Marvin (his close friends could not otherwise refer to him) had several careers. As a very young man he was a Communist. Discharged from the army, he volunteered to work for Israel, risking his life in episodes chronicled in his autobiography, *Coming Out Conservative*, published in 1992. He was still very young when disenchantment quite overtook him, and soon he was looking for opportunities to oppose Communism.

He became, in the mid Fifties, a one-man public-relations industry directed exclusively to the promotion of conservative and anti-Communist activities. His anchor organization was the Committee of One Million (Against the Admission of Communist China to the United Nations). His work was critical in the founding of Young Americans for Freedom, the American Conservative Union, and a half-dozen other PR-minded organizations designed to stimulate support for the conservative movement. He would go on to contribute to the campaigns of Senator James Buckley and presidential candidate Ronald Reagan. During the Reagan years, he served with several federal agencies.

In 1990, in a letter addressed to me for publication in this space, Marvin declared himself a gay man, and announced his determination to fight for equal treatment of homosexuals. His autobiography recounted his years in the closet, and in the past half-dozen years he wrote a column for a gay magazine and was identified, on the Washington scene, with gay activism.

Marvin Liebman attracted his many friends by his humor, his intense loyalty, and his delight with his life & times. He was a very close friend of several members of the NATIONAL REVIEW family, organizing the first four or five of NATIONAL REVIEW's anniversary celebrations at five-year intervals. In 1980 he was converted to the Catholic faith and was baptized in St. Patrick's Cathedral. I was his godfather, my sister Priscilla, his godmother. In recent years his faith did not weaken, but his practice of it did, in protest against the church's adamancy on the question of homosexuality. Some day, somewhere, an extensive exploration of his positions, and of his exchanges with such as Harry Jaffa, should be undertaken, in the forlorn hope of shedding some strategic light on a question so vexing.

Marvin himself was running out of energy. The day before Easter I had an e-mail from him. "Long time no hear, no see, no nothing. [I had been abroad six weeks.] As much my fault as yours. I'm just getting over a rather low period and He is risen!" And another, the day before he died. "Life stumbles on for me, and the Prozac doesn't seem to help a lot." And a characteristic postscript. "Henry" is a beloved mutual friend, straight as an oak tree, suffering severely from manic depression. "P.S. 5 P.M. Henry just telephoned me to say that he was in the hospital because 'they' thought he was manic and that he had made a 'conversion.' 'To what?' I asked. 'I am now a faggot too,' he announced proudly, 'and I can't wait to see you again.' What does he have in mind??? Love, Marvin."

He always brought laughter and joy, and even his memory will continue to do so.

—WFB

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CAPITAL SCENE

King of the Hill

RICH LOWRY

Roman Genn

WASHINGTON, D.C.

EVERY Tuesday, the House Republican leadership gathers around a long table in Newt Gingrich's suite of offices for a meandering demonstration of the dysfunction of the 105th Congress. In response to complaints about centralized decision-making in the last Congress, leadership meetings have been opened up to 23 members. At the first expanded meeting, strategy memos were distributed around the table—and promptly leaked to the press. Now nothing is ever committed to paper. Discussions of abortion must be less than candid, given the presence of the pro-choice Jim Greenwood (Pa.) at the table. Conservative David McIntosh (Ind.), meanwhile, participates in decisions like the one recently to extend the airline-ticket tax that he can't in good conscience support.

These gatherings are less leadership meetings than representative samples of 10 per cent of the Republican conference. Bill Paxon (N.Y.), not an elected member of the leadership but a rising star tapped by Gingrich to lead the meetings, tries to direct the discussions, in which many of the participants perform as if they were giving speeches on the House floor. Besides the seven elected members of the leadership—Speaker, Majority Leader, etc.—the meetings are attended by six committee chairmen, two representatives of the sophomore class, and one of the freshman class. Mike Crapo (Idaho), who started attending meetings four years ago as the representative of his freshman class, still attends today. Ernest Istook (Okla.) and Jim Greenwood represent the conservative and moderate factions of the conference respectively, holding temporary three-month leadership chairs that rotate—just as on the *McLaughlin Group*.

Something is deadly wrong with the House Republican conference. A big part of the problem starts at the top. The pointless leadership meetings are the sign of a Speaker who is so weakened he apparently can't say no to anyone who wants a seat at the table, and who no longer trusts his own instincts. That in turn has prompted a speakership race that dare not speak its name—a quiet positioning among contenders who must deny their designs on the top spot if they are ever to win it. The resulting suspicions and jealousies just add to the divisions of an already fractured, dispirited GOP conference.

And the malaise extends beyond House Republicans—Gingrich is a limping leader for a listless conservative movement. At a recent meeting between Gingrich and representatives of conservative organizations, the Speaker got a standing ovation when he entered the room. He then told the group he hoped their meeting could be as nice as one he had just held with the Congressional Black Caucus. Almost everyone obliged by failing to raise issues Gingrich had recently fumbled, like the timing of tax cuts. Gingrich's interest perked up when someone around the table suggested deregulating sonograms, in keeping with the Speaker's tendency, as one critic puts it, to get excited about those "ideas closest to colonizing space." He became even more intrigued when someone else mentioned that she raises llamas. Gingrich left the room to another standing ovation.

Gingrich must have been grateful for any audience that would give him an ovation—let alone two. After the catastrophic failure of the government shutdowns and the punishing ethics controversy earlier this year, Gingrich's prospects are bleak. His situation is similar to that of the hero in a silent film who is tossed from the train into a river with both hands tied behind his back—escape is technically possible, but it really requires a suspension of disbelief. Gingrich owes $190,000 in legal bills. And the ethics committee wants him to cough up $300,000 sometime this summer, a levy that nearly everyone says he must pay out of his own pocket. So Gingrich, never a wealthy man, must consider dipping deep into his savings to pay for the privilege of holding onto a Speakership that could be stripped from him at any moment anyway.

After the catastrophic failure of the government shutdowns and the ethics controversy Gingrich's prospects are bleak.

Which is why rumors fly in Washington about Gingrich's already having decided to step aside. His weakness feeds on itself. Consider his meeting with the Congressional Black Caucus, a nice gesture turned fiasco. In the meeting, Gingrich heard complaints about the elimination in 1995 of congressional funding for groups like the CBC. Conservatives, assuming the worst, interpreted press accounts to mean that Gingrich agreed to restore the funding. The Speaker's office denied it; even Maxine Waters (D., Calif.) denied it. Still, says one conservative activist, "I don't know what to believe." No one does any more. The Speaker's credibility among his colleagues is as

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low as his standing in the polls. One factor behind the embarrassing late-March revolt of 11 conservatives over a vote on committee funding was that when Gingrich explained what the vote was about, many members simply didn't believe him.

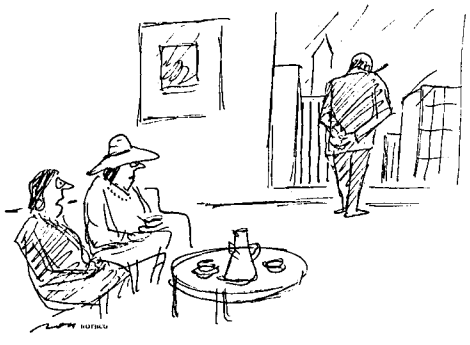
For Gingrich, the clock is ticking. Matt Salmon (Ariz.), one of the 11 rebels, gives Gingrich until August to demonstrate leadership. Moderate Jim Greenwood says, "If January 1998 rolls around . . . and the current leadership has demonstrated for the third year in a row that it can't accomplish a significant part of our agenda, then I think some serious re-thinking will occur." So, if any of the many scenarios for a Gingrich meltdown comes to pass—if he continues to tread water, if he decides to try to pay the $300,000 out of campaign funds, if the IRS finds more tax problems, if he commits another major gaffe—then what?

Majority Leader Dick Armey has the strongest hand to play. As second-highest-ranking Republican in the House, he has distributed dozens of chits he presumably could count on in any bid for the Speakership: he gave $780,000 to 1996 congressional candidates from his PAC, he raised $3.1 million for candidates in 109 congressional districts, and gave $750,000 to the National Republican Congressional Committee from his own campaign. He's a favorite of the huge sophomore class, but his seven-term tenure also makes for ties to the older membership. And Armey has undertaken concerted efforts to smooth away his rough spots, namely a lackluster TV presence and strained relations with GOP moderates.

The rumpled Armey has bought nicer ties (for years, all he owned was Adam Smith ties); on TV he concentrates on what he calls the "because clause," the line that makes the rationale for GOP policy clear and easy to understand. Moreover, he has taken advice on how to hone the GOP message for audiences in the West and Northeast from members like Jennifer Dunn (Wash.) and Mike Castle (Del.). Last year, he started weekly "unity dinners" between conservative and moderate members. "If Newt decided to step down, I do believe Dick Armey would be the next Speaker," says moderate Rep. Chris Shays (Conn.). "He's a very decent individual who's tried to reach out to all sides of the conference."

But doubts about Armey's ability to carry the GOP message are still widespread. Says moderate Greenwood: "My guess is there would be some trial balloon floated from the membership that stands somewhere between the hard Right and the moderates." The strongest candidate likely to fill that niche is Bill Paxon, the 42-year-old five-term member from New York state. His stock has jumped over the last three months, ironically on the strength of his able public defense of Gingrich. Paxon is a pro-life Catholic from the Northeast, a real pro with a soothing TV manner. "In a sense he's a an elected official who is also a political operative," says one conservative activist. "He's just extremely capable." As chairman of the NRCC during the last two election cycles, he has signed campaign checks for a large swath of the GOP conference. "He has enough poker chips to supply Las Vegas," says a conservative member.

Paxon's presumed base would be moderates and younger members who worry about Armey's image. Some interpret Paxon's gentle public disagreement with Gingrich on the timing of tax cuts and his willingness to re-consider his support of Most Favored Nation status for China as subtle overtures to the Right. His weaknesses are his lack of any real policy depth (he almost never speaks on the House floor) and lack of experience knocking heads together in internal GOP battles. Another Speaker possibility, House Budget Chairman John Kasich, has, in contrast, policy experience to spare. The 44-year-old Kasich is considered by many to be the party's best spokesman, youthful and impassioned. But given Kasich's hyperactive inability even to sit still on flights home to Ohio, he may be temperamentally unsuited for the job of Speaker.



"He's been a millionaire too long. I don't think he'll ever be a multi-*millionaire."*

In a speaker's race, Armey would absolutely have the most secure base and only needs 115 votes to win. His strategy would be to demonstrate enough strength early to scare away all comers, including Paxon, who might opt to run for Majority Leader. Among other top Republicans, Majority Whip Tom DeLay is a Texan who will have trouble moving up the leadership ladder as long as fellow Texan Armey is around. Conference Chairman John Boehner, meanwhile, probably lacks the strength to run for Speaker but might take a shot at Majority Leader. All this is still speculation. Armey could yet get tarred by his association with the current leadership, making Paxon the favorite for Speaker. Or an unlikely meltdown scenario could produce Speaker Henry Hyde.

BUT the idea of Armey stepping into the Speakership is no longer as unthinkable as it was three months ago when Gingrich first ran into his ethics troubles. Among Washington insiders the idea of Armey and Paxon taking over at the one and two spots respectively in the conference is gaining increasing currency. Which knocks out another crucial support from Speaker Gingrich: the feeling that he is irreplaceable.

The GOP's problems—the timidity, the obsession with the 2002 balanced budget, etc.—reach far beyond Newt Gingrich. A change at the top won't make those problems go away, and if there's an internal bloodbath things could get worse. As Ralph Reed points out, when Democratic speakers left there were always natural successors. "Let the selection process continue," he urges, citing members like Armey, Kasich, and Paxon, "and rather than the party in a fit of desperation throw Newt overboard and take a chance on someone new, let these guys season some and eventually there will a natural transition at a time hopefully of Newt's choosing."

But with the post–Gingrich leadership beginning to shake itself out, that time is approaching rapidly. One member recalls talking with a colleague on the House floor when they spotted Gingrich. "We both said, 'Hey, there's Newt.' It actually struck us that we saw Newt Gingrich on the House floor. It was like having Rostenkowski or Sam Rayburn show up. It was like a giant from the past." □

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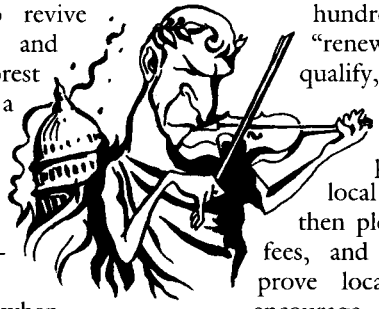
BREAD & CIRCUSES

FIVE months after the GOP retained both Houses against the odds, Congress looks unlikely to cut taxes, end race and gender preferences, or even eliminate the National Endowment for the Arts. But this mean season for conservatives will be brightened if the American Community Renewal Act is passed. Providing their own leadership, two young Republican congressmen are promoting landmark legislation that seeks to revive faith, private enterprise, and charity in the nation's poorest neighborhoods. And in a rare example of bi-partisanship that is not code for a GOP surrender, they have been joined by members of the Congressional Black Caucus.



It began last month when Reps. J. C. Watts of Oklahoma and Jim Talent of Missouri introduced a bill that all but reverses the government's thirty-year-old approach to poverty. Instead of creating new programs, subsidies, and specialists, their bill reduces taxes, regulations, and licensing rules. The bill is supported by scores of conservative groups, including Americans for Tax Reform, the Family Research Council, the Christian Coalition, the Institute for Justice, the Goldwater Institute, and the Hudson Institute.

More significantly, black liberals agree with it too. New York Rep. Floyd Flake (ACU rating: 0) is an original co-sponsor. Pastor of the Allen AME Church in Queens, whose community operations include a private school and housing for the elderly, Rep. Flake employs over seven hundred people. "What Floyd Flake knows will work," says Jim Talent, "is based on his own experience." Rep. Donald Payne of Newark, New Jersey, past chairman of the Congressional Black Caucus, and Rep. Eva Clayton, who represents one of North Carolina's black-majority districts, are also co-sponsors.

Though an architect of the GOP welfare-reform bill, Talent agrees with Watts that it's not enough to end the worst incentives of the status quo. The two congressmen resolved to draw up a plan with community-based self-help groups that would promote economic growth *and* moral renewal in neighborhoods devastated by years of the Federal Government's welfare largesse.

Drawing on the work of Bob Woodson, president of the National Center for Neighborhood Enterprise, Talent and Watts want to create a hundred urban and rural "renewal communities." To qualify, an area must have high rates of both unemployment and poverty. State and local governments must then pledge to reduce taxes, fees, and regulations, to improve local services, and to encourage the sale of land, homes, and business sites to neighborhood groups and private businesses. The state's reward is that once an area is designated a renewal community, then its federal taxes would be sharply reduced. Investments in qualified businesses would enjoy a 100 per cent exclusion from capital-gains taxes and generous tax credits.

But the main aim is to change the behavior of the people in the renewal areas. To encourage personal savings, for instance, low-income families in these communities would be permitted to deduct contributions to special family savings accounts and withdraw money tax-free for certain expenditures. To encourage home-ownership, unoccupied dwellings currently owned by HUD would be transferred to local governments. These would then have to make them available for sale to community-based groups on a cost-recovery basis.

The bill also creates a new charitable tax credit of 75 per cent for donations of up to $200 to qualified charities as long as the taxpayer also volunteers at least ten hours a year for the recipient organization. Charities qualified under the bill must provide direct services to the poor. They could not engage in lobbying or public-policy advocacy.

Will God succeed where Uncle Sam failed? For the main departure from political orthodoxy of the Talent–Watts–Flake bill is its premise that religious faith can help solve social problems. Rep. Talent points to the impressive results of the Victory Fellowship drug-rehabilitation program in San Antonio, whose founder, Freddy Garcia, favors Bible study over professional counseling and claims a 70 per cent success rate. Such faith-based drug-treatment programs have very low recidivism rates but face constant harassment from government regulators. The Community Renewal Act would permit these programs to receive federal assistance through contracts or vouchers. These funds could then be used for counseling programs with religious content. (Beneficiaries are always given the right to choose a non-religious program.)

Above all, local officials must make a commitment to operate an educational-opportunity program that provides federally funded scholarships for both secular and church-run primary and secondary schools. Scholarships and transportation aid would be provided on a first-come, first-served basis, and the locality would fix the scholarship's value. The sponsors hope to spend $1 billion on the scholarship program over the next five years.

WHEN Jim Talent meets with neighborhood associations, he warns them that school choice will be fiercely opposed by the education establishment. But they insist the provision is vital, and Talent agrees. He underscores his own commitment to the school-choice provision: "It's a question of the vital needs of these kids and I'm not prepared to sacrifice another generation on the altar of dogma."

But what are its prospects? Sens. Spencer Abraham (R., Mich.) and Joseph Lieberman (D., Conn.) have introduced the bill in the Senate. But key committee chairmen have been unenthusiastic about it. House Ways and Means Committee Chairman Bill Archer (R., Tex.) doesn't relish tinkering with the tax code, and Education Committee Chairman Bill Goodling (R., Pa.) is a foe of school choice. Talent hopes to convince them that "We can turn a lot of people into conservatives with this bill—whether they know it or not." Maybe. But will it turn GOP congressmen into conservatives?

—KATE O'BEIRNE

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ON THE SCENE

Without a Visa

RADEK SIKORSKI

Frederick H. Carlson

SARANDA/VLORA/TIRANA

As we came within swimming distance of the Albanian coast, the ferry slowed down and the dozen Albanians on board exchanged furtive glances. Something was wrong. I leaned over the captain's glass cabin and saw them: three speed-boats, closing on us fast. In the perfect morning light, I could already make out a man in camouflage fatigues sitting in the nearest one. He was holding a Kalashnikov, pointed in our direction.

I had already gotten bad vibes. A couple of hours earlier, in the Greek port of Kerkira, the manager of a duty-free shop who sold me a pack of Camels—which were supposed to work in Albania like Kents in Rumania under Ceausescu, as a substitute currency—parted with me as if he did not expect to see me again. You could not buy a ferry ticket to Albania from any of the little travel offices on the quayside. "You will get the ticket on the boat, *if* it arrives," I was told. For the past month, up and down the Albanian coast, armed gangs had been seizing everything that would float for a trip to Italy. Why would they let any boat slip through their grip? We were about to find out.

The ferry came to a halt and the speedboats approached. There were six men, two in each boat, young and nimble. "Will they take the boat and throw us into the sea, or will they prefer kidnapping?" I wondered. Please, let it just be a robbery! Reports spoke of an explosion of traditional Balkan thievery in Albania. Several journalist crews had lost not just their wallets but everything, including Land Rovers. The Albanians on board the ferry carried boxes with electronic gadgets and plastic bags filled with shopping. The latest in digital cameras, belonging to two Italians and a Japanese on board, could also fetch good prices on the black market. My Minolta was five years old; I could sacrifice it.

The Italian journalists were about to raise the alarm on their mobile phone, which was still within range, when we noticed something strange. By their tense faces, sharp commands, and jittery movements, it was obvious that the assailants were nervous, while our captain, an unshaven dwarf in a dirty T-shirt, seemed expectant rather than scared.

As the boats drew up, he gave an order and one of his men removed a sheet of black fabric from a large stack on the stern deck. "Drugs? Weapons?" I thought and readied my camera for surreptitious shots. But the man in the camouflage fatigues saw my movement and made a threatening gesture with the Kalashnikov. I made a show of putting the camera aside. Then I got up the courage to descend to the stern deck. The entire crew, including the captain, was busy shifting several hundred cases of red and white cans of Amstel beer. They reeked with sweat by the time the speedboats were filled to capacity. They opened the last case, shared the cans among the crew and the smugglers, and drank, smiling. By my rough calculation, that one crossing made them about $5,000 at the expense of Albanian customs. Half an hour later, we were safely in Saranda, one of the main towns in Albania's rebellious south. This was my first inkling that the Albanian drama as portrayed on CNN was not the entire picture.

Nor, upon landing, was there much sign of the Hobbesian black hole the place had supposedly become. Considering that Albania had until recently been the most paranoically reclusive country in Europe, it was perhaps unwise to try to enter it without a visa. But I worried in vain on that score too. Our arrival was greeted with a few joyful bursts of gunfire in the air but no immigration or customs officials. Rarely could a disembarkation have proceeded more efficiently. The Italian journalists had arranged for two vivacious nuns to greet them, and at their beckoning a teenager manning the port's heavy iron gate swung it wide open.

For a city supposedly torn by anarchy, Saranda was serene. The nuns who greeted us had no thought of leaving. Couples strolled along the beach, which was lined with palm trees. Scores of men walked aimlessly or sat on benches, drinking and talking. Apart from the crunch of spent cartridges in the street, the initial impression was of a Sunday in an out-of-season resort.

For decades to come, Albania will look as if invaded by an armada of Martians in miniature flying saucers.

Only on investigation did the scale of the recent unrest become obvious. Some boys were playing on the burned-out wrecks of three cars in front of the municipal library, which had been gutted, as had the post office and telecommunications center. Tree-trunks and lumps of metal remained from roadblocks and barricades. Dogs and flies infested mounds of uncollected rubbish. Yet, there was no sign of continuing vio-

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lence. Balkan tempers having flared, it looked as if everyone had just got bored.

The two Italians and I negotiated with a taxi-driver recommended by the nuns in a clean, marble-lined café, the waitress in a neat black and white uniform. My cappuccino came with the correct amount of froth, sprinkled with chocolate. After much haggling the driver agreed to take us all the way to Tirana for $600. The Italians and I squeezed into the back seat. We were taking a teenager, a relative of one of the rebel leaders, as our pass across rebel checkpoints. Saranda bade us farewell with the sight of several burned-out cars in front of a vandalized police station and tanks guarding the road.

The old Mercedes groaned higher and higher uphill until we turned a corner at the head of a valley leading to a beach. There, down below, I finally saw what I had long anticipated.

THEY looked like a row of beach umbrellas, except why would anybody put them up in March? And there were no sunbathers underneath them. They were Albania's famous pill-boxes, each a concrete toadstool, only its cap rising above ground, and each big enough to house one man with a machine gun. Some 700,000 of these were put up by the Communist dictator, Enver Hoxha. For decades to come, Albania will look as if invaded by an armada of Martians in miniature flying saucers. A society in which two generations were drilled into fighting phantom enemies is perhaps especially susceptible to mass hysteria.

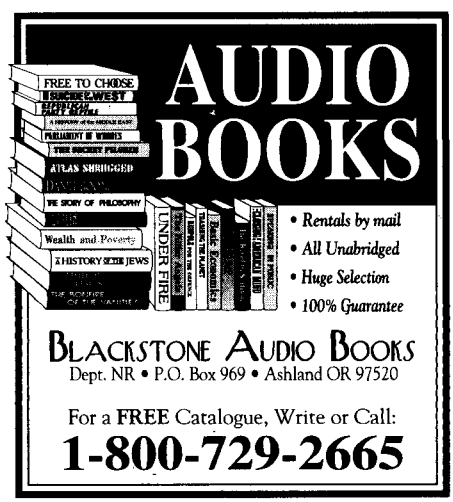
Our taxi-driver, Fatmir, an accountant in his forties, turned out to be a member of the Central Committee of the Socialist Party, former Communists, the same people who ruled Albania for half a century. He denounced President Sali Berisha for policies which promoted a capitalism based on speculation and trade rather than hard work. In the next sentence, apparently sensing no contradiction, he told us how he had sunk $30,000 he had made from dealing currency with tourists into one of the investment schemes which promised an income of 10 per cent per month, whose collapse precipitated the unrest. The people will give up their arms only when Berisha resigns and we get our money back, he declared. Yet it appeared that in Saranda the chief rebel was the local representative of the very investment company which had cheated Fatmir, a former Communist colonel. I did not tell Fatmir that it would be considered strange for the chairman of a failed savings & loan to become the head of a victims' lobby group.

It was getting dark by the time we reached Vlora, the rebellion's capital. As in Saranda, most people tried to behave as normal. Even the traffic lights were on, though only the amber worked. Flares lit the night, and the staccato of Kalashnikov fire was punctuated by the thuds of bursting grenades. It was too dangerous to walk at night, but not because of fighting. Over a hundred people had died here in the preceding weeks because realization had not dawned that bullets shot into the air for fun have a habit of coming back down. We holed up near the harbor in a hotel whose owner brought the news that a refugee boat would be leaving for Italy in a few hours. The mafia which operated it welcomed journalists, for $1,500 a seat. This was my chance for a dramatic eyewitness story. Fortunately, I judged that *NR*'s budget could not take this. The boat sank that night just outside the port, and five people were unable to swim back. Only a few moments separated a media circus from a genuine tragedy.

I had seen some of the ten thousand Albanians who had made it to the other side. Outside Brindisi, a neoclassical mansion fittingly named Villa della Speranza and set in a garden by the sea housed several dozen "unaccompanied minors." Rumor had it that Albanian criminals used these children as their entry visas, to play on Italian family sentiments, or alternatively, that they had been taken to Italy for sale for adoption. The reality was more mundane. The teenagers gathered in the mansion's former drawing room seemed quite happy to watch Italian television and leaf through old issues of *Famiglia Cristiana*. One boy I chatted with, Artan Birchai, 18, swarthy and stocky, had a clearer purpose. He had a brother in Chicago and wanted to find a job in Rome to earn the air-fare to join him.

Just like the adults, these were not refugees from war or famine, but economic migrants in search of a better life. The distinction between political and economic refugees is blurry anyway. I know, I was one myself, although I braved only polite British officials, rather than the choppy waters of the Adriatic. When I decided not to return to martial-law Poland in 1981, I was rejecting the hopelessness, the endless lines, and the boredom of Communism as much as the minor persecution I was likely to face. Not by coincidence, dictatorships tend to be poor and vice versa. People act out of mixed motives. Old distinctions become obsolete. There are now tens of millions of people in the world with genuine claims for political asylum who are also economic migrants. The point is, how many more can the West take in?

Villa della Speranza reminded me of Jean Raspail's apocalyptic *The Camp of the Saints*. This 1970s novel portrayed an unarmed invasion from India conquering the West, which is brought down by its own sentimentality. Raspail could have written it about Italy and Albania, one of the richest countries in Europe facing an influx from the poorest. The added stimulus is that they watch the same television on both sides of the sea, irrespective of income. After decades of isolation Albania has overcompensated and must now have one of the highest concentrations of satellite dishes in the world. If I lived among donkeys and goats and saw in glorious color on Italian television my neighbors being greeted with nice clothes, food, and a two-month visa in paradise, I would want to make the crossing too. This crisis is media driven in more ways than one. At the Villa della Speranza, a representative of the Catholic charity Caritas, which took care of the boys, told me that many of them confessed to having jumped on the refugee boats so that they could wave to friends who would see them on television. Now they missed their parents and pined to go back. Albanians supposedly fleeing war choose the perilous sea journey to Italy, rather than the hop over the border into Ma-



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cedonia, Montenegro, or even Greece. Statistics of comparative GDP per head in these countries are surely a clue. The West will not be invaded. It will simply get as many refugees as it can afford.

In the early morning light we made a tour of Vlora, and something I had begun suspecting in Saranda became evident: these were not African-style starving hellholes but towns in which a spectacular economic boom had come to an abrupt end. There were unfinished buildings everywhere: hotels by the beach, gas stations, conference centers, apartment houses. "This one belonged to the company that cheated me," Fatmir said, pointing to a modern complex consisting of a gas station and a motel. He seemed pleased that the mob had burned it down. I did not argue but, obviously, the company could not have been a pure pyramid scheme if it had owned such valuable assets.

President Sali Berisha is being universally blamed for both the financial crisis and the political consequences, but I wonder. A similar financial meltdown happened around my native city of Bydgoszcz in Poland a few years ago. Just as in Albania, the government warned people of the perils of lending money at high interest to self-appointed bankers without a license, but nobody listened. People who should have known better—top doctors at the clinic, officers of the military district, parish priests—collectively "invested" millions of dollars. When the inevitable happened and the charlatans made for the border, just as in Albania, they blamed the government.

Berisha has been criticized for dictatorial methods and for allegedly rigging last year's elections, and I was not in the country long enough to form an opinion. However, a friend of mine who is a veteran observer of Eastern Europe and speaks Albanian, and who toured 24 polling stations on election day, tells me that irregularities were minor, certainly by comparison with those which allowed Boris Yeltsin to stay in charge of Russia. Certainly, Berisha earned no sympathy in politically correct circles in the West by passing a law which annulled the academic qualifications of professors of Marxism–Leninism.

Perhaps the bigger the scale of reform, the bigger the abuses of economic freedom. In a country where private ownership of cars was banned and which had no property deeds until a few years ago, Berisha's regime has carried out fast privatization and redistribution of land, deregulated small business, and kept both unemployment and inflation in check.

But without a doubt the mayhem's biggest beneficiaries are the former Communists, who have now forced their way back into the government. No doubt it is a coincidence that the towns of Gjirokastra and Vlora, where the rebellion has been most violent and best organized, were, respectively, the birthplace of Enver Hoxha and the favored recruiting ground for his secret police.

We reached Tirana unmolested before noon. If it were not for the classic Saigon-style footage I had seen—Western embassies being evacuated, choppers swooping low, families separated because of different citizenships—I would not guess that this was a city at war. In the Skandenberg Square, dominated by a fine Stalinist mosaic on the façade of the National Historic Museum, there was a fun fair with a working merry-go-round. The traffic was dense and we made our way slowly around the central lawn, where fountains spouted jets of water. Far from being lawless, it was a sign that Tirana was firmly under government control.

The strangeness of the situation was striking. There was no war, the refugees were largely economic, and there was a more or less democratic regime in charge of the capital. So why was the UN Security Council authorizing an Italian-led military intervention? Wild theories were making the rounds of the capital. The entire crisis—the most comprehensive of them had it—was in reality a proxy confrontation between Italy and Greece. Greece, it was said, wanted to use Albania and the Albanian diaspora as a lever against the former Yugoslav republic of Macedonia, which it suspects of designs on its own province of Macedonia. That would explain where the rebel army got its supplies, why Greek-owned properties were apparently unharmed by the looting, and why no refugees streamed south. For Italy on the other hand, the theory goes, taking in several thousand refugees for a while is a price worth paying in order to get an international mandate to regain control of the ports of Vlora and Durres, built in their modern form by Mussolini's engineers.

This being the Balkans it must be borne in mind that stranger conspiracy theories have proved true. But it is more likely that Western diplomats and politicians are overreacting because they still have a bad conscience for having acted so tardily in Bosnia. This may lead to another mistake. A foreign military intervention seems a silly way to tackle what is essentially an internal crisis of law and order. There are easier solutions: if the government could offer $100 for every Kalashnikov returned to its armories, most of the guns would probably be returned, government structures would revive, and the Albanian economy might recover some of its dash. Western governments, normally so reluctant to commit their troops, are this time rushing in. They will have only themselves to blame if smuggling, crookery, and banditry get a pretext to escalate into guerrilla war.

By tea time I was at the airport, using my pack of Camels to pay the airport tax so as to board one of the first scheduled flights out of Albania, to Rome. Italian authorities made a big show of frisking all passengers for drugs and weapons, but they found only my Swiss Army knife. By the evening, I was drinking Chianti in front of the Pantheon, counting my blessings. □

Against All Odds

ANTHONY LEJEUNE

LONDON

"IT'S going to be fun," said Prime Minister John Major at the start of Britain's election campaign. Fun! Most people wanted to bury their heads under a blanket for six weeks, wishing vainly that all politicians would go away. What can any of them say that hasn't already been said in a hundred cliché-ridden sound-bites? And how can Major regard as fun an election which he seems almost bound to lose, when losing means (he had told us so) great damage to his country and the erosion of all that he and his party have achieved?

The Labour Party—"New Labour," as its leader, Tony Blair, likes to call it—is

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now so far ahead in the polls that you can't get odds for a worthwhile bet. Why this should be so is a more interesting question. A reporter from the *Financial Times*, having just returned from six years in the United States, declared himself baffled. He found a country in excellent shape, its economy the healthiest in Europe, inflation low, unemployment falling, real incomes up, and yet its voters determined to eject ignominiously the government that has been in charge.

Government ministers are equally baffled, and pained. They—some of them anyhow, including John Major—had genuinely expected to be in a winning position by now. They fall back on the explanation that, with the Conservatives having been in power for 18 years, the simple slogan "Time for a change" had become irresistible.

There is some truth in this rationale—as time passes, all governments accumulate enemies and the memory of their opponents' previous misgovernment fades—but not as much as the self-excusing Conservative leadership believes. Natural Conservative voters, both of the old school and of the new school created by Margaret Thatcher, have been alienated by a whole chain of follies and disasters. There have been huge failures, such as the dramatic day (black or white, according to your point of view) when Britain was forced out of the Exchange-Rate Mechanism, clumsy handling of the infected-cattle problem, and the ugly bullying of Parliament required to push the Maastricht Treaty through; a basic betrayal, when taxation, far from being reduced, was increased again and again; and a relentless flood of trivial but exasperating new regulations, some (but by no means all) originating from Brussels. In addition, an above-average number of much-publicized incidents of sexual or financial impropriety by Conservative Members of Parliament have been handled poorly.

On the three great issues facing any future British government—Britain's relationship with an ever-tightening European Union, the unsustainable cost of the welfare state, and the acceptability of public spending which consumes nearly half the national income—John Major has consistently fudged; people of opposing views come away from meetings with him each believing that he was on their side.

Tony Blair, it should be said, is no less studiedly vague. He smiles and smiles, and walks as if on eggshells. What would a Labour government do about Europe? No one knows, except that it would sign on to the "social chapter," imposing extra costs on business. How would Labour reform the welfare state? No plans have been published. Would the bad old days of labor-union dominance return? No, says Blair, but the unions are still the Labour Party's chief paymasters, and concessions have already been made. Would a Labour Government revert to policies of even higher taxing and spending? Soothing promises have been given that income-tax rates would not increase, but there are many other ways of increasing taxation, and Labour's innumerable promises to spend more on this or that favorite cause would almost certainly require them.

Roman Genn

If the issues are all being fudged, what about personalities? Both Major and Blair are more ruthless than they look and more popular than their parties. After the last election, Rupert Murdoch's big-circulation tabloid, *The Sun*, announced in a huge headline: "It Was *The Sun* Wot Won It," and this was true, although the Conservatives in their vanity chose to credit John Major's populist performance in the campaign, when he stood on a silly soapbox. The tabloid press convinced enough voters then that a Labour victory would bring higher taxation—and that a Conservative victory wouldn't. This time Blair has lured Murdoch temporarily to his side.

The middle classes and big business have been, to a considerable extent, anesthetized, convinced that they have nothing much to fear from Labour. It was left to a Liberal Democrat, Lord Russell, to explain what, at the very least, they do have to fear: namely, that much of what both the middle classes and readers of *The Sun* have objected to in recent years—over-regulation, political correctness, new taxes, subordination to Brussels—would surely be exacerbated. But no one seems to care. There is also the little matter of the British Constitution, which Labour is pledged to change irrevocably in various ways.

The young, of course, do not remember the last period of Labour rule. But what happened in those far-off days explains much that has happened since in both parties. It is an eerie, as well as an illuminating, experience to read the speeches made by MPs of the Tory Reform Group in the 1940s. They were in favor of high taxes, nationalization, controls, planning: if these restrictions had enabled us to win the war, why, they argued, should not similar measures help to "win" the peace? When Labour implemented just such a program, those unconservative Conservatives liked it less, but they accepted the trend as irreversible. No wonder it took so long, and required a Margaret Thatcher, before the socialist tide was turned back even a few inches.

The political assassination of Margaret Thatcher still haunts the Conservative Party, as the assassination of Caesar haunted his murderers. Lady Thatcher herself is loyally supporting the Conservative Party in this election, but she has been quoted as saying, in private, that she doesn't think "Blair will let the country down."

If the Conservative Party had lost the last election, it might by now have reshaped itself to its own advantage. If the Conservatives lose heavily on May 1, the next imminent election will be of a new Conservative leader. That looks to be a very open race. Fudge will be out: the complexion of the party will change, probably in a rightward, Euroskeptical direction. As President Clinton's former campaign organizer Dick Morris wrote in the London *Times*, Major should, tactically, be fighting this election with Europe as a main issue; taking a hard anti-European line which would be overwhelmingly popular. But he dare not, for fear of provoking one or two senior Europhile colleagues.

He may still win the election: Blair could, in a mad moment, crush the eggshells. Hundred-to-one outsiders do occasionally romp home, but that's not the way to bet. Meanwhile, the British public groans at the facile politicking, switches off the television, and just wants it all to be over. □

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The Bethsaida Miracle

D. KEITH MANO

NEW YORK CITY

GETTING rid of blindness, I'm told, is not such a bargain after all. Human eyes, you see—even when healed physically—still need training and rigorous practice before they can transmit what is "real" and "not real" back to the brain. It doesn't much matter how long you've been sightless, either: a decade or so of blindness and your cerebral cortex has to be completely reprogrammed, as if from infanthood. On opening his eyes, the healed seer confronts a nonsensical, frightful, and, well, Cubist landscape. Over that shattered universe he must stubbornly impose the familiar 3D grid we live in.

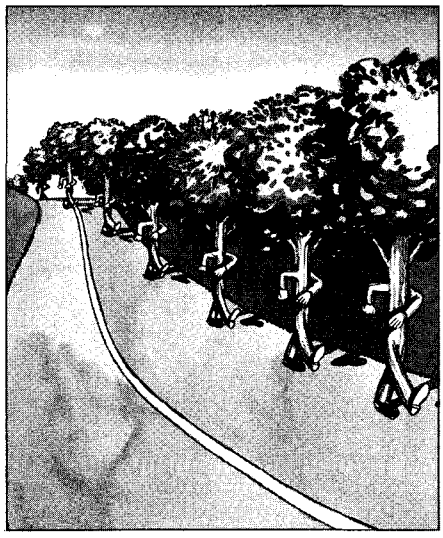
Oliver Sacks has written about the new seer in *An Anthropologist on Mars*. Virgil, age fifty and blind since childhood, has had "successful" eye surgery. Five weeks later "he often felt more disabled than he had felt when he was blind. . . . Steps . . . posed a special hazard, because all he could see was a confusion, a flat surface of parallel and criss-crossing lines; he could not see them (although he knew them) as solid objects going up or coming down in three-dimensional space."

Furthermore, Virgil "would pick up details incessantly—an angle, an edge, a color, a movement—but he would not be able to synthesize them, to form a complex perception at a glance. This was one reason the cat, visually, was so puzzling: he would see a paw, the nose, the tail, an ear, but could not see all of them together, see the cat as a whole." And, as his wife noted, "Virgil finally put a tree together—he now knows that the trunk and leaves go together to form a complete unit."

This word-picture of an unmade tree set off associations in my mind. Particularly I remembered Jesus and the Bethsaida blind man. (Told in St. Mark 8:22–25. St. Mark's is the least adorned and oldest Gospel, dating roughly from 45 to 60 A.D.) "And he cometh to Bethsaida; and they bring a blind man unto him, and besought him to touch him. And he took the blind man by the hand, and led him out of the town; and when he had spit on his eyes, and put his hands upon him, he asked him if he saw ought."

And the blind man (in what I had always considered a poetic image) replied to Jesus, "*I see men as trees, walking.*"

That is not a poetic image. It is a clinical description. Like Virgil, the Bethsaida blind man can now see, but he cannot yet make sense of what he is seeing. Tree and man run together, as did trunk and tree-top for Virgil. (Both men could see movement because, according to Sacks, motion and color are inherent in the brain; they need not be learned or relearned.) All this, moreover, is not surprising to Jesus. He knows, it would



Frederick H. Carlson

seem, that a newly healed blind man has neither depth perception nor the ability to synthesize shape and form. The blind man's brain must first be recalibrated: must be taught (in one miraculous instant) what you and I have known since childhood—how to see.

So Jesus heals the blind man for a second time. "After that he put his hands again upon his eyes, and made him look up: and he was restored, and saw every man clearly."

As far as I can judge, this is irrefutable evidence that a miracle did occur at Bethsaida. Back in 30 A.D. the blind did not often receive sight: there were few, if any, eye surgeons and seldom a decent miracle-worker. No shill in the crowd could have faked it all by pretending to be blind—because *only someone recently given his sight would see "men as trees, walking,"* would see the Cubist jumble that Virgil told Oliver Sacks about. A faker, not knowing about post-blind syndrome, would have reported that Jesus had given him perfect vision.

The most astonishing aspect of this miracle is its double nature: you get not one cure but two. Often even devout Christians downplay the wonder-working Jesus—lest they seem naïve or overcredulous in a scientific age. We are somewhat embarrassed by New Testament miracles, as if God were cheating in the competition for our belief. We rationalize as an atheist might: "So what if Jesus cured people who were halt and blind? He was a charismatic faith healer. Some of his clientele, no doubt, had come down with stress-induced psychosomatic conditions. Jesus healed them through positive thought or Essene hypnosis, whatever. Rasputin did the same: nothing supernatural about it."

That explanation might still hold for Part One of the Bethsaida event. So let us suppose a man like Virgil, blind since childhood because of traumatic shock. Let us also suppose that Jesus, Messiah-as-therapist, came along and healed Virgil in a non-miraculous way. That does not (and cannot) explain Part Two. Whether Virgil's blindness was physical or psychosomatic, still his brain would have been deprived of the visual exercise and constant drill essential to clear three-dimensional sight. Only by a miracle could Jesus provide that necessary crash course in visual recognition. Charismatic therapists may be able to unblock sight—but they cannot infuse a human brain with that lifetime of visual experience necessary for normal sight.

Both Positivist and Christian are stalemated on the subject of New Testament miracles. Positivist thought is certain that no miracle could ever have taken place—because such an event would fatally contravene natural law. Your traditional Christian, by contrast, will accept the Gospel accounts on faith. Until now, these two categories of thinking were mutually exclusive: science and faith could not collaborate. But, at Bethsaida, something quite different came about: a miracle that depends on science for its proof, that cannot be understood *except* by adducing modern medical data—quite unknown in 30 A.D.—as evidence. And, when one miracle has been proved, it then at once becomes not just possible, but probable, that another miracle can also be proved true. □

Mr. Mano wrote the "Gimlet Eye" column for NR *for 17 years.*

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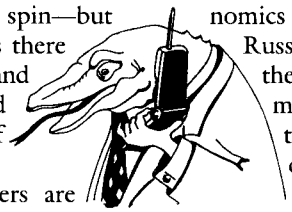
GEKKO

PEOPLE who share my outlook on the Russian debt and equity markets were cheered by the feel-good press that burbled from Helsinki and assorted world capitals after the summit meeting last month. Not that we believed the summit spin—but you can't be a seller unless there are some buyers around, and they need to be encouraged until they are relieved of their excess cash.



Some interesting numbers are coming out of the Russian markets these days. For example, it is believed that over 60 per cent of the *internal* debt of Russia is now held by foreigners. This is principally in the form of "gekkos" (*sic*) or Russian Treasury bills, formally known as GKOs. The Russians themselves don't seem to want to buy them, preferring to hold onto their cache of $30 or $40 billion of U.S. currency. What, one wonders, do they know that the foreigners don't? After all, you can earn fat double-digit returns in GKOs even after hedging out the currency risk. Could it be that the government is printing them like cents-off coupons to meet back-wage demands? Is that why interest rates in Russia are rising to what the brokers tell people are "attractive" levels?

Perhaps more illustrative than mere statistics and broker chatter is a little story that I heard out of Moscow a couple of weeks ago. A bit of background first: when unhappy gangster business partners want to "send a message" to a bank's management to change its behavior, they set off a bomb outside the premises. Subtle, but often effective. Well, a friend of mine was struck by the extraordinary security he had to go through before entering the National Reserve Bank, which is closely allied with the giant Gazprom, the source of much of Prime Minister Chernomyrdin's wealth. The embarrassed executive who accompanied him admitted that three bombs had recently been set off in front of the bank. The problem, though, was that the bank was involved in so many shady deals that the management couldn't figure out who was warning it to back off from what. The management has literally been made an offer it can't understand.

In case the reader wonders why I am so fascinated with the finance and economics of a near basket case such as Russia, the answer is that a) it has the resources and people to make a fast comeback under the right leadership, which does not mean the criminals now in charge of the government, and b) we may need the Russians again as allies in the future, which means they should not be treated with the cravenness and dishonesty that characterizes the Clintonistas chosen to deal with them.

■ Now that the Bre-X Indonesian gold-mining scandal has left a smoking ruin of the markets for the so-called junior gold-mining shares, it's time for the survivors to pick their way through the rubble. Carefully. After all, as the Carthaginians could have told you, sometimes there are no comebacks. But there may well be value in some of the small gold companies sooner rather than later.

The panic selling at the end of March was made worse by the usual frantic margin calls and delayed quotations. Since many people were unable to raise enough cash by selling their Bre-X shares, they sold other gold mines as well, and the process fed on itself.

"Hi, I'm the stockbrokers' muse."

One of the earliest sellers of Bre-X was investor and investment advisor Bob Bishop, who works out of Lafayette, Calif., near San Francisco. Bishop was selling Bre-X when it got over $20 a share, which is a touch higher than the $2 it was selling at by the end of last month. He admits he didn't realize the extent of the funny business going on in Indonesia, but he sensed enough to get himself and his clients out.

He thinks this might be the time to buy. "I think the [gold stock] system has been pretty well flushed out, and if you can't buy stocks after a selling panic, then when can you buy them? The business of the major mining companies taking over the smaller companies is going to continue, because the majors need to expand their reserves and they aren't finding the gold on their own." The risk to the gold shares, as he sees it, is if the broader equity averages keep declining.

Even Bishop admits, though, that "The Bre-X business has lasting implications for how business will have to be done going forward. Due diligence will be much stricter. There's a limit on what you can do as a fund manager—there are certain articles of faith that have to be accepted."

And any comeback is unlikely to include Bre-X stock, even if it turns out that there is some economically mineable gold on its Indonesian site. The Indonesian government is likely to pull the concession, and it won't get an argument from the mining world for having done so. After all, the country has a reputation for honesty and straight dealing to uphold.

■ As you may have noticed, I prefer to think of arbitrages and spread trades rather than outright long positions. Right now, I think you'd do well to buy British 10-year gilts (government bonds) and sell short the equivalent value in 10-year French bonds. Not only do you get a positive carry (the Brits pay more than the French), but the British economy is in better shape. In fact, even though the Labour government will likely not go into the European Monetary Union at the start date, its balance sheet and budget deficit are likely to look better than those of its French counterpart by early next year. Social democrats such as Tony Blair may not always be growth-friendly, but they've decided to join the bond market rather than fight it.

—JOHN DIZARD

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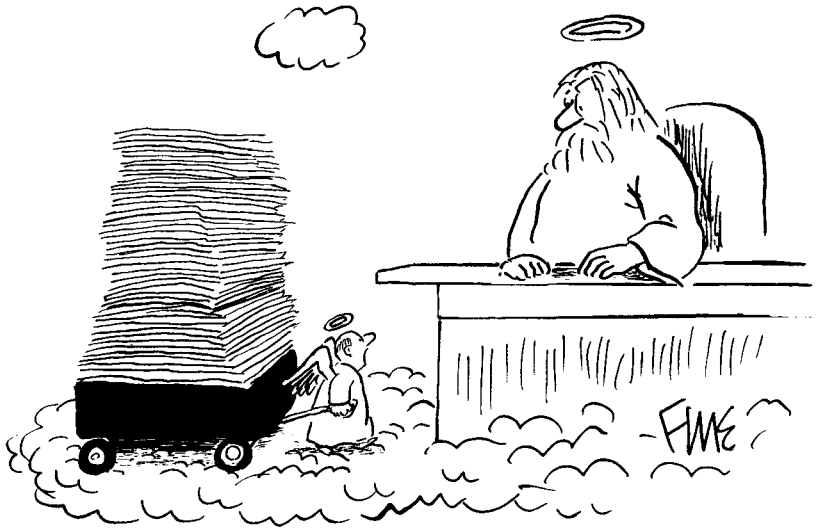


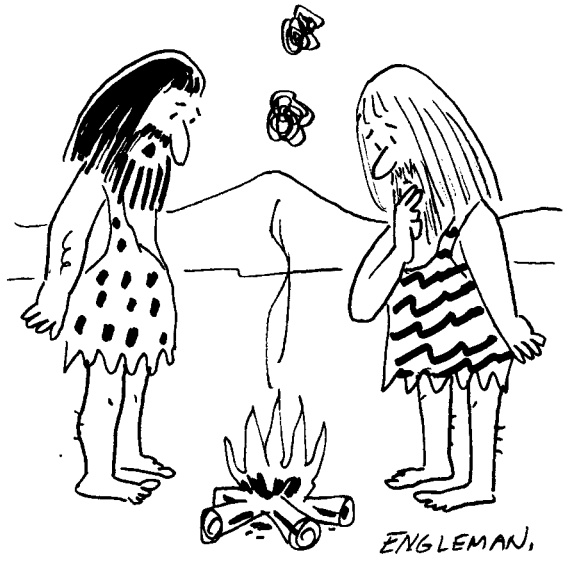
"Here are today's prayers—most of them are from Gingrich supporters."

Glorobots

A robot with lofty inflection
read Stein in the poetry section,
but read it, "Arose
is arose is arose,"
and thought it concerned resurrection.

—Gloria A. Maxson

"Do you solemnly swear to be truth-oriented?"



"We've started a warming trend that may lead to man's demise."

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What Goes Up . . .

As the bull market regularly reaches new highs, everyone is asking, What happens next?

JOHN CRUDELE

SUPPOSE you got home after a busy day at the office, flipped on the television, and found out that the Dow Jones Industrial Average had slid 700 points while you were locked in meetings with your boss discussing new vending machines for the employee lunch room. Every Wall Street expert on the tube is saying that such a decline is natural, orderly, and totally expected. "Okay," you say, "I'll accept that explanation." But when trading resumes the next morning, your mind isn't focused on your job. Your computer is on-line, so you can access the prices of your mutual funds. The TV in your office is tuned to CNBC, so you'll know what the Dow is doing every single moment.

It's down another 700 points.

The Wall Street experts on CNBC are again reassuring you that such a correction is normal. They quote historical data, tell you how safe your money is in mutual funds, and explain how economic and interest-rate fundamentals are in your favor. But you notice a slight tension in their voices this time. Each wants to get back to what he was doing and doesn't seem quite as confident as he had been just the day before. You start to wonder whether it was such a smart idea to have sprinkled $120,000 in retirement money—virtually your entire nest egg—around the mutual-fund universe.

That scene is fiction right now, but it's likely to happen sometime in the future. Corrections of that size are commonplace through the long history of the stock market, although virtually unknown in recent years. In fact, the major averages like the Dow haven't even had a major pullback since the middle of 1990, when the blue-chip index was briefly down 20 per cent. Many of today's stock-market investors have no experience in dealing with such investment setbacks.

How will small investors like you react in such a situation?

That's the question that everyone—politicians, Wall Streeters, Cadillac dealers, small investors themselves—would like answered.

The importance of small investors' reaction to a stock-market downturn is not limited to the individuals involved; you could argue that the very security of the United States is at stake. Thirty-seven million American households, representing 43 per cent of all adults, now have some money in mutual funds. The figure was just 24 million around the time of the last quake on Wall Street—the 1987 stock-market crash. The biggest jump came between 1994 and 1996. In 1994, 1,944 equity funds divided up money coming in from 31 million households. By 1996, 37 million households had 2,626 equity funds to choose from.

Those numbers suggest that a frenzy is taking place. The craziness of it all is quite obvious to most pros on Wall Street, and even the Federal Reserve has taken to issuing warnings to investors about "irrational exuberance." And it was two years and thousands of points ago that central bankers began calling what's going on a "bubble."

Small-time investors have become so enamored of the stock market that they have been investing beyond their means. The amount of new cash going into the market already exceeds the total savings rate in the country, and experts believe that many Americans are taking out home-equity loans to get in on the action.

But just as the run-up in stock prices because of small investors' trust in mutual funds has been unpredictable, experts fear that the selling will be equally beyond prediction.

According to recent surveys—mostly undertaken by outfits with an interest in people's having an optimistic view of the stock market—investors won't panic. They won't start selling shares in a frantic effort to keep the capital gains they've won in recent years;

Mr. Crudele is a financial columnist with the New York Post.

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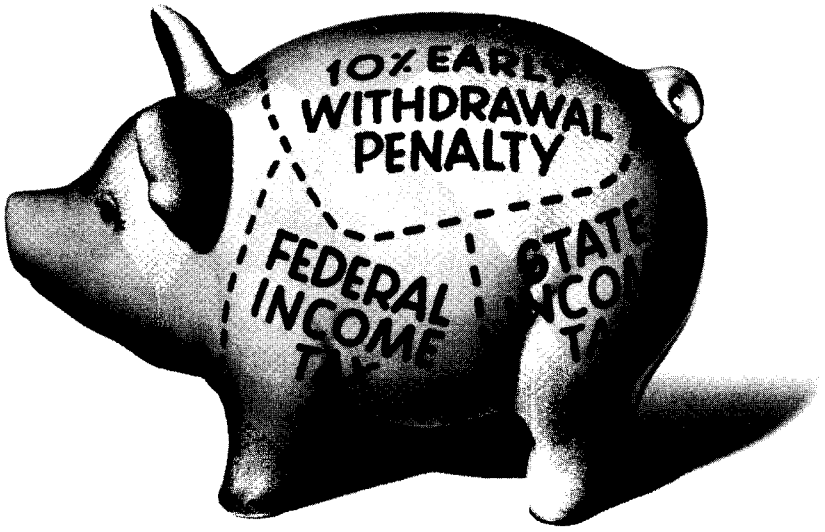

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indeed, they will be composed and bold enough to risk more of their money in equities.

Fifty-four per cent of investors recently surveyed by Peter D. Hart Research on behalf of the National Association of Securities Dealers said they would make no changes in their portfolios if stock prices fell aggressively. And 31 per cent of the nearly 1,500 investors and would-be investors questioned said they would have the guts to buy more stock if the market went into the tank. Only 8 per cent admitted they'd be scared and sell.

What investors say they'll do and what they will actually do could be two very different things.

That's not too different from what the average investor is telling others who ask. They will be, the investors are insisting, steadfast in their belief that the stock market is the yellow brick road to the retirement Oz, and they won't stray even if frightening things happen along the way.

The trouble is, what investors say they'll do and what they will actually do could be two very different things. It's like the difference between how someone thinks he'll react to a crisis like, say, a shooting or a car crash, and how he actually behaves when confronted with the situation.

Albert Sindlinger first surveyed people about their investments in 1955. His little company, which is not affiliated with any Wall Street outfit that might want a certain slant to the finding, has been interrogating about a thousand people a week for all these years. Yet he never asks small investors what they'll do if the market suddenly depreciates.

"They don't *know* what they are going to do," says the 89-year-old Sindlinger. "You ask people a stupid question, you get a stupid answer."

Sindlinger does ask people if they plan to buy more stock in the near- and long-term future. And what he found is bothersome. Even though the flow of money into mutual funds hit record levels again in January, fewer people are telling Sindlinger that they plan to expand their investments.

Washington is obviously concerned about the overreliance on the stock market. In recent days, government officials have begun hinting not very subtly that the stock market has a net underneath it that will be used in an emergency. Just days before Federal Reserve Chairman Alan Greenspan's most recent warnings about the pricey stock market, for instance, there was a story in the *Washington Post* about the "plunge protection team," a/k/a The Working Group on Financial Markets, which will try to keep any decline from becoming a free-fall.

The Team doesn't go quite as far as a suggestion by Robert Heller, a former Fed governor, who back in 1989 said that the central bank should voluntarily become a "buyer of last resort" whenever the stock market craters. "The Fed could support the stock market directly by buying market averages in the futures market, thus stabilizing the market as a whole," Heller said in a speech that was later published in the *Wall Street Journal*. In short, Heller suggested rigging the stock market.

While the idea might not have garnered much support back in 1989, the repeal of the country's free-market system might now seem an attractive alternative to wiping out a middle class that is counting too heavily on the promises of mutual-fund companies. Just how much of a danger does the stock market currently hold for mutual-fund investors?

By most measures, the stock market is, as Greenspan said, very pricey. The most recent comparison could be the mid 1980s, when real estate was everyone's favorite and few thought the property market could go through the kind of slump that it did. Today's stock market makes the real-estate boom of the Eighties look downright tame. For the first time ever, the total value of stocks exceeds the country's gross domestic product, which is the sum of all goods and services. The dividend yield on stocks is the worst it has ever been. Price-to-earnings ratios are very high, even though corporate earnings have been pumped up artificially by excessive cost cutting. And margin debt—the money that investors borrow to buy stocks—is more than twice what it was in the early Nineties.

No wonder you're feeling a little queasy. □

. . . Must Come Down

Alan Greenspan's efforts to manage the market have been successful. So far.

ALLAN H. MELTZER

IS THE stock market too high? Years of experience forecasting interest rates and stock prices have taught economists and others that they cannot accurately forecast changes in stock prices, interest rates, and other asset prices. Clever devils that they are, economists developed a robust explanation of their repeated failures, known as the efficient-market theory of asset prices. This theory implies that predictions will do no better than chance. Tossing a coin is as good a predictor of future asset prices as the commentary of your favorite guru.

From personal experience, I know that many people are reluctant to believe this story. Yet there is overwhelming evidence for the idea that

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well-organized asset markets are efficient processors of information. Whatever is reliably known or believed is reflected in current prices. Most of the time, prices move up or down more or less randomly, affected by such things as the number of buyers and sellers at a particular time. New information about current and future earnings or cash flow causes sustained changes in prices and valuations of individual assets or the whole market.

The theory of efficient markets suggests great uncertainty about future stock prices and the direction of the market. Here, as elsewhere, people try to reduce uncertainty by searching for rules of thumb or leading indicators of future market direction. Often, but not always, there is a return on these efforts; the person who searches diligently may find some useful information that others overlooked. Sooner or later, the new information will be offered for sale in a newsletter or discovered by others. More money will be invested, or withdrawn, when the particular information changes. Prices and values will incorporate the information until it no longer predicts.

Market watchers point out that, on average, the stock market has increased about 10 per cent a year since 1925, when a broad-based measure of stock prices first became available. Recent rates of increase are between 20 and 30 per cent—far above the historic average.

THESE facts are correct, but they tell us very little (or nothing) about the future. The reason is that there is considerable variability in the return on common stocks from year to year. What we want to know, but cannot yet know with confidence, is whether recent increases in stock prices reflect excessive exuberance or a correct belief that, on average, corporate earnings will increase more rapidly in the future than in the past.

As always, there are plausible bullish and bearish scenarios. The bears argue, correctly, that current stock prices are higher relative to corporate profits, GDP, or dividends than at the 1929 market peak. This seems chilling. We all know what happened in 1929 and after; market values fell by 50 per cent or more. Further, combined market capitalization of the principal U.S. stock markets—the New York Stock Exchange (NYSE) and NASDAQ—is more than 100 per cent of GDP for the first time in the postwar period. This capitalization rate was a mere 73 per cent at the 1987 peak.

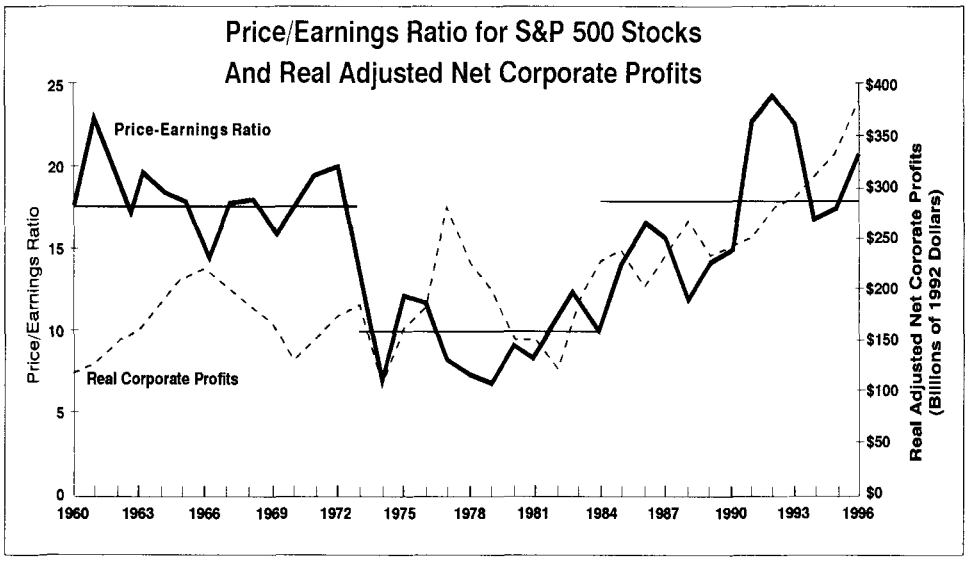
The bears attribute the recent rise to irrational optimism on the part of investors. Their case is strengthened by the implausible explanations offered by some of the bulls. An example is the belief that young investors have learned that they cannot rely on Social Security, and so they have increased their saving rate and invested in common stocks. This explanation has two problems. First, there is little evidence of an increased personal saving rate. Second, it would take a lot of additional saving to explain the doubling of NYSE and NASDAQ capitalizations since 1991. The value of outstanding stocks is twenty times the value of personal savings.

The bears conclude that the stock market is overvalued and, therefore, destined to fall. The more vociferous among them warn that the drop could be large. Sell your stocks before it is too late, they warn. For those who miss the point, they remind us of the collapse of the Japanese stock market—from 39,900 to 14,500 on the most widely cited stock-market index. The current recovery has brought the index almost to 20,000, about 50 per cent of its previous peak, after almost ten years.

The bulls respond with cheerful reminders of the short, sharp decline and prompt recovery in 1987. Timing is difficult, they remind us. Those who try to avoid the decline are likely to miss the recovery. Stay invested; the long-run trend is up. This is a new day. Investors must throw out their old work sheets. It's different this time.

We have heard all of this before, most notably in 1928 and 1929 and in the late 1960s. Many of the arguments now repeat the stories told earlier. In 1928–29, and again in 1967–68, many claimed, and perhaps believed, that the Federal Reserve had learned to maintain real growth with low, or even zero, inflation. Business cycles would be damped, with longer expansions and shorter recessions. As a result, profits would be higher on average, sustaining higher stock-price valuations.

These cheerful predictions, we now know, came just before the start of, respectively, the Great Depression and the Great Inflation. Both of these events drastically reduced stock-market values. In the Depression of the Thirties fear and trembling about the possible collapse of capitalism combined with large losses instead of rising profits. In the inflation of the Seventies, real earnings fell and taxes on reported earnings made those earnings less valuable to investors. Although corporate officers hailed record sales and earnings, wise investors looked through the earnings to see one-time inventory gains from inflation and the erosion of real values because the



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government did not index depreciation or capital-gains taxes.

The chart on the previous page compares the postwar history of the price–earnings ratio for the 500 stocks in the Standard and Poor's (S&P) index (the heavy line) to net corporate profits adjusted for price-level changes (the dotted line). The chart shows three distinct periods: 1) the low-inflation years up to the first oil shock in 1973; 2) the years of rising inflation and the beginning of disinflation, 1974–84; and 3) the return of low inflation, 1985 to date.

The Federal Reserve's job is to protect the value of money by preventing inflation. Its record at this is poor.

The heavy flat lines on the chart mark out the average price–earnings ratio around which stock prices fluctuated in each period. This is the multiple that converts earnings into stock prices. From 1960 to 1973, the market valued a dollar of earnings at a price–earnings multiple of 17.5. From 1973 to 1984, inflation was persistent and far above U.S. peacetime experience. The stock-market multiple fell to 9.9.

Once market participants became convinced that inflation would remain low, anticipations about real profits (after adjusting for inflation) improved, and the market multiple rose. For the period 1985–96, the multiple is 18.2, slightly higher than in 1960–73. At the end of 1996, the price–earnings multiple was 21.2, above the average for recent years but within the range of fluctuations around the average for any of the three periods.

The difference of opinion between the bears and the bulls turns on two issues. Is the current market multiple a step toward a permanently higher price–earnings ratio or a temporary change in the multiple, which will, sooner or later, return to the old average? If the multiple returns to the old average, will the return occur because stock prices fall or because earnings rise?

Here the recent growth rate of real profits is critical. If one believes that profits will continue to grow faster than before, it is entirely reasonable to believe that the current price-earnings multiple will be sustained or even increased. As the chart shows, high real-earnings growth has persisted longer than at any other time in the last 35 years. Looking ahead, the market sees higher earnings, so it adjusts today's stock price upward. Current owners collect today for some of the earnings expected in the future. Since these earnings are growing faster than in the past, prices are higher relative to current or past earnings.

The higher growth rate may not continue forever. What matters is that the earnings growth rate not reverse, as it did in 1968–73 or 1977–80. Declining earnings would lower expected future values and eliminate some of the recent rise in stock prices.

Neither you nor I nor anyone else knows what the future holds. That's a main lesson of efficient-market theory. Alan Greenspan, and some other Federal Reserve officials have more information about the economy and a better understanding of how the economy works than most of the people buying and selling stocks. But no one knows whether profits will continue to rise at a higher rate than in the past, fall back to the old, slower trend, or reverse direction. Plausible stories are told by those who believe each of these outcomes.

The Federal Reserve's job is to protect the value of money by preventing inflation. Its record at this is poor, at best. In its 82-year history, the nation has had relatively stable growth and low inflation less than 25 per cent of the time. A stricter standard—stable growth and stable prices—has been achieved even less often.

In 1928–29, the Federal Reserve became concerned about rising stock prices. It tried jawboning. When that had no effect, it tried a more restrictive monetary policy, raising interest rates to reduce speculation on the stock exchange. The result is well known.

The economic environment today is different from what it was in 1929. We are not on the gold standard, so we have looser coupling to the rest of the world. We have inflation, not slowly falling prices. Eliminating the remaining inflation without precipitating a severe recession is the Fed's main task.

If the Fed does its job well, the economy will benefit from non-inflationary growth. Corporate earnings will continue to increase. Stock-market participants will decide how to value those earnings by paying their money and taking their chance. Inevitably, some of them will make mistakes. Since their wealth is at risk, many will be alert to the first conclusive sign of irrational exuberance. □

Saving Savings

Most 401(k) plans do a good job. Should anything be done about the rest?

PATRICK CHISHOLM

WHEN Carter Hawley Hale Stores went bankrupt in 1991, the employees weren't just out of a job. They lost much of their retirement savings, too. The California-based retailer ran a 401(k) retirement plan enrolling ten thousand employees, with Carter Hawley Hale stock as the only investment option. The company emerged from bankruptcy in 1992, but in the meantime, the 401(k) plan had lost about 90 per cent of its value.

Mr. Chisholm is a financial journalist based in Alexandria, Va.

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More recently, Color Tile Inc., a floor-covering chain, was another company that put most of its 401(k) assets into the company itself. Color Tile invested the money in its own stores, which it then leased back to the company. Color Tile went into Chapter 11 last year, and now the employees cannot touch their 401(k) money.

Though the vast majority of 401(k) plans are run responsibly, there are numerous cases, primarily involving small companies, of 401(k) money being squandered outright. During the past two years, the Department of Labor initiated over 1,300 civil and criminal cases involving employers who took money from the employees' 401(k) plans.

The Department of Labor estimates that less than 1 per cent of 401(k) plans have been delinquent in making payments.

Irregularities like this have risen in tandem with the surging popularity of 401(k) plans. The plans got their start in 1978 when Congress modified the Employee Retirement Income Security Act (ERISA) with Section 401(k). The Act, signed into law four years earlier, restricted employers from investing more than 10 per cent of pension assets in the company's own securities. The amendment made a distinction between traditional "defined benefit" plans and 401(k)-style "defined contribution" plans. The latter were exempted from the 10 per cent limit in order to preserve a profit-sharing tradition that often encouraged productivity.

No one predicted at the time that these defined-contribution plans, then relatively rare and seen as supplemental to defined-benefit plans, would eventually overtake traditional pension plans in popularity. By 1995 there were an estimated 30 million 401(k)-plan participants, according to the Profit Sharing/401(k) Council of America, up from 10 million a decade earlier. The Chicago-based Council estimates that 401(k) plans held about $850 billion in assets in 1995.

Employees like 401(k)s because their contributions are tax deductible. The employee can also decide how much to contribute and, in most cases, where to invest the money. The earnings accumulate tax-free until they are withdrawn at retirement. And workers can take their plans with them to other companies when they change jobs. As for employers, they receive a tax deduction when they contribute to the plan, and they can use such contributions as incentives to employees for higher productivity.

As younger generations' confidence in the Social Security system diminishes, the plans' importance grows. And if a political miracle is pulled off and Social Security gets partially privatized, personal savings plans such as 401(k)s will take on even more importance. One of the more attractive privatization proposals is a Chilean-style system, where workers would be required to deposit a portion of each paycheck into "personal security accounts." As with 401(k) accounts, the money would be invested in private securities and managed by private firms.

Privatization implies that retirees would have little or no safety net in the event their savings disappeared. It is imperative, therefore, that 401(k) savings be invested wisely, and that they not be abused or misused by employers. The challenge is to attain this goal without introducing excessive regulation that might burden businesses or discourage creation of 401(k) plans.

"Going back to work now that the kids are grown is one thing, Martha. Mounting a hostile takeover of my company is another."

And yet avoiding excessive regulation opens the door to the kinds of mismanagement cited above. And 401(k) plans are also vulnerable to outright corporate fraud. It's tempting and easy, especially for small companies, to divert 401(k) money for their own purposes.

Such was the case of Job Shop Technical Services, Inc., in Farmingdale, N.Y., an employee-leasing company for engineers and consultants. The former owner pleaded guilty in 1995 to embezzling $2.7 million from the company's 401(k) plan, which covered about 750 workers.

In another example, Broaches, Inc., of Roseville, Mich., a manufacturer of steel cutting tools, went for several years being late in depositing 401(k) contributions withheld from paychecks. After being sued by the Department of Labor, the president of the company restored $330,000 to the plan.

With the rise in the use of 401(k) plans comes a rise in the potential for abuse. The DOL estimates that less than 1 per cent of all 401(k) plans have been delinquent in making payments, but that still represents a lot of plans. The DOL beefed up its policing measures in 1995 by launching a national enforcement program targeting plan abuse.

The DOL went overboard, however, when it proposed measures to speed the deposit of 401(k) contributions into employees' accounts. In the original law, companies could hold employee contributions 90 days before depositing them, and some companies were using this as the opportunity for an interest-free loan. And so, the DOL proposed shortening the time period to the next business day for companies with large 401(k) plans, which would have sharply raised costs for companies. Fortunately the DOL agreed to modify the rule, requiring that the money be deposited within 15 business days following the month in which it was withheld. Industry representatives find this acceptable.

The 15-day rule is the only new regulation on 401(k) plans since the DOL launched its national crackdown. A proposed regulation that looks as if it will pass is one introduced by Sen. Barbara Boxer (D., Calif.) which would prohibit companies from requiring that more than

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Electric utility shareholders reacting to a rally on the big board

UTILITY TYCOONS

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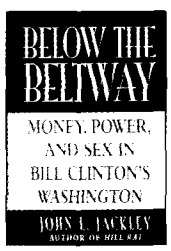

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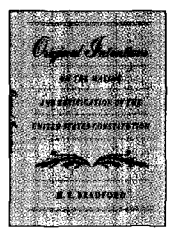

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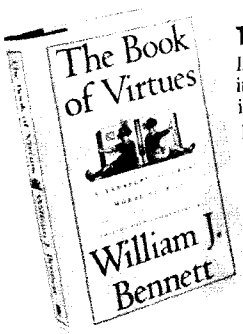

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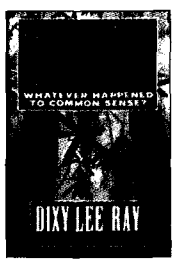

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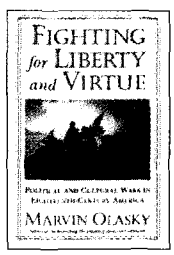

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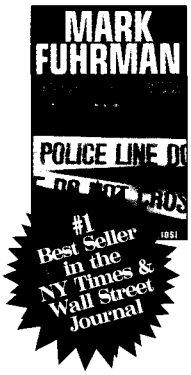

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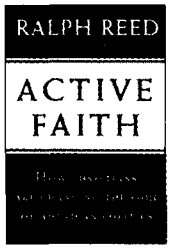

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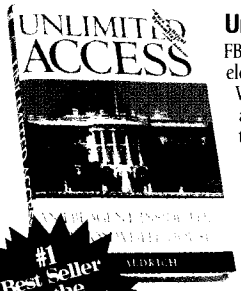

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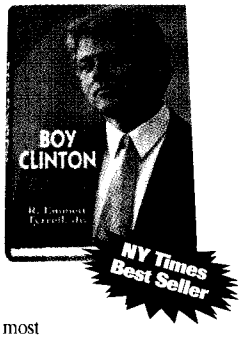

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10 per cent of employee contributions be invested in the employer's own stock or real estate.

This would actually be a prudent regulation, and industry representatives find it palatable. One of the cardinal rules of investing is always to be adequately diversified, particularly with something as important as retirement money. As a general rule, if a person has more than 10 per cent of his portfolio invested in a single stock, a plunge in that stock could do big damage to his portfolio.

The bill would not affect the vast majority of companies; it's estimated that less than one-half of 1 per cent of companies offer their stock as employees' only investment option. And the number is shrinking. In recent months, for example, International Paper went from a one-stock employee savings plan to a plan offering several options.

A company still dragging its feet is Marsh & McLennan, a big insurance-brokerage and investment-management firm. Since early 1992 its stock has appreciated a respectable 65 per cent (two-thirds of that happened within the last six months). But if its employees had been invested in an S&P 500 stock index fund, they would have earned about 100 per cent during that period.

So far, it appears that 401(k)s are not on the way to becoming overregulated. But a stock-market crash or a few more high-profile bankruptcies could change that in a jiffy. Among Fortune 1000 companies, a whopping 41 per cent of defined-contribution-plan assets are in company stock, according to the New York–based Institute of Management and Administration (IOMA). Even though Abbott Laboratories, Duke Power, and Kimberly–Clark, for example, offer their employees several investment options, more than 90 per cent of each company's plan assets are invested in company stock.

Workers' loyalty to and confidence in their company is a big reason that so much 401(k) money is in company stock, but so is their lack of education on the dangers of putting all their retirement eggs into one basket. Employer matching is another big reason. For every dollar's worth of company stock that employees buy for their retirement plan, employers often match that with 50 cents' worth of additional stock. That's a huge incentive to put one's eggs into that basket.

As long as most large companies stay healthy and the stock market avoids a crash, calls for onerous regulation on 401(k)s will remain unheeded. But if calamity strikes, expect to hear an outcry for more regulation. Most such regulation should be resisted; the stock market always recoups its losses and goes on to new highs.

I say "most" such regulation because there are still a few loose ends to tie up. Some retirement savings plans—Abbott Labs' for example—require employees to invest some money in company stock before they can diversify outward. This restriction of investment freedom should be ended.

As for those overinvested in company stock by choice, more education—not regulation—is what's needed. And perhaps they would rather take their chances in any event. After all, it's hard to beat 50 per cent matching contributions. As Sen. Boxer said on the Senate floor, "Employees should be able to waive the 10 per cent limitations if they want to. It's their money." □

Lights On

In Britain, the privatized electricity system is providing better service. When will America see the light?

CECIL PARKINSON

THE DAY after the British General Election in June 1987, I was summoned by Margaret Thatcher to No. 10 Downing Street and asked to take over the Department of Energy in the new Conservative government. In our election manifesto, we had committed ourselves to privatizing the electricity industry and introducing competition wherever possible.

At that time, the industry was wholly state-owned. It consisted of one generator, the Central Electricity Generating Board, which also owned the high-voltage distribution system covering the whole of England and Wales. Local distribution was handled by 12 regional companies, each of which held a monopoly in its own area and all of which bought all their electricity from the central generator.

When we first presented our proposals for change, we faced huge opposition from a variety of vested interests. We were told that real competition was impossible, that prices would rise, that the physical safety of the workers would be imperiled in the search for profits, and that the security of supply would be threatened. In the event, none of these things happened. In fact, prices have fallen, the safety record has improved, and service has improved. The whole industry is now driven by the needs of the customer and not by the wishes of the producer.

I was recently on vacation in America and I happened to see a news broadcast in which a union leader was opposing deregulation of the American electricity industry. I wondered if he had borrowed one of his British counterparts' speeches from ten years ago. All the same arguments were trotted out in an attempt to scare the public.

On the other side of the coin, a delegation of high-level executives from California's electricity industry visited Britain a couple of years ago to study the way our privatization has worked out in practice, and they have now presented proposals that appear to be based on what we did. Since California is held out by deregulation experts as an example for the rest of the United States, an account of what we did might be helpful.

Lord Parkinson was Secretary of State for Energy in the Thatcher government.

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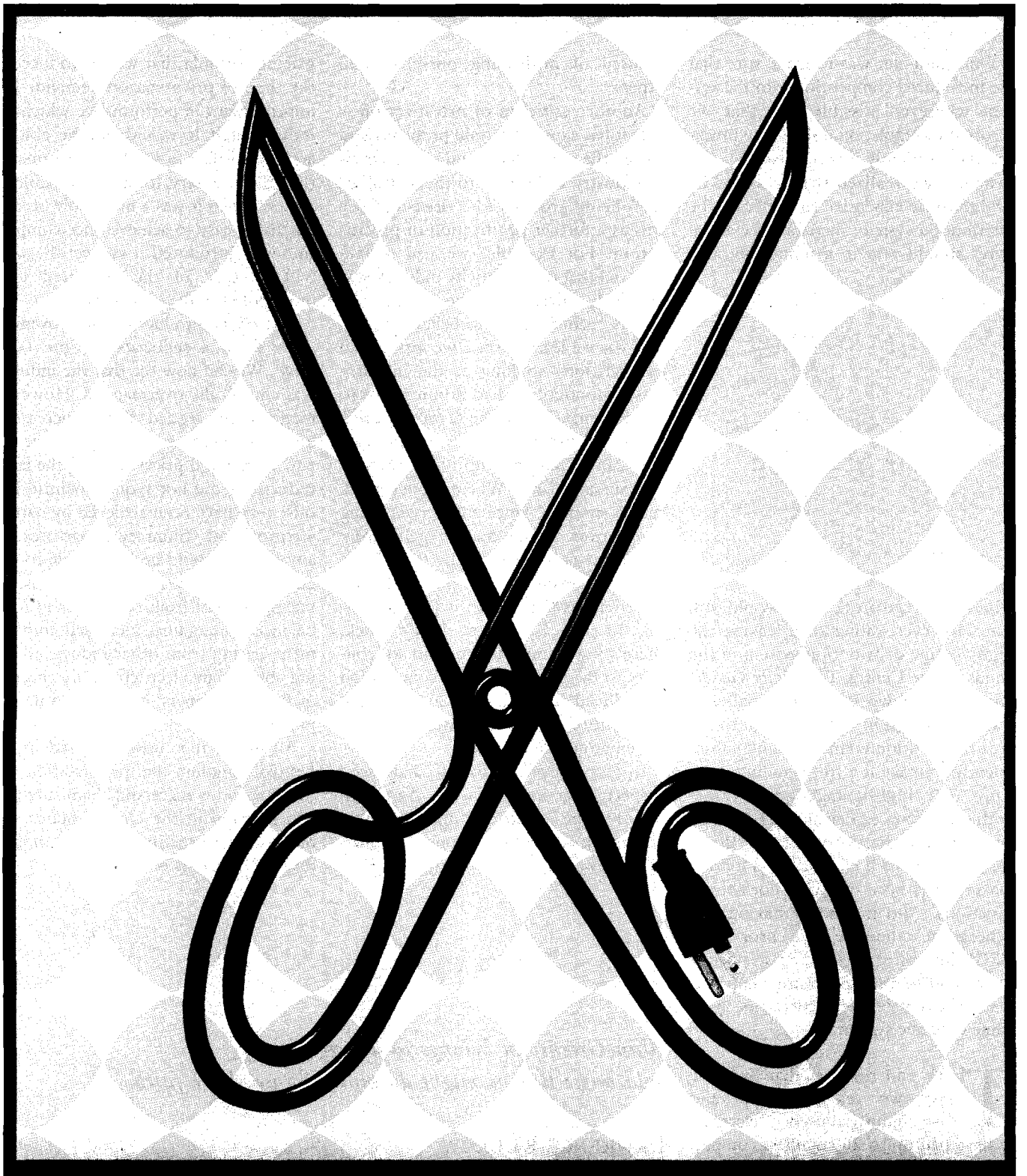

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Our main aim was to make sure that we introduced competition into the system wherever possible and that we resorted to regulation only where breaking the monopoly was not feasible. For instance, we realized that it would be prohibitively expensive to duplicate the distribution system; therefore, the actual wires should remain a monopoly area where the regulators' writ would still run. However, rather than leaving the high-voltage distribution system in the hands of the Central Electricity Generating Board, we decided initially to transfer ownership of that system to the area distribution companies and subsequently to make it a free-standing company. The high-voltage grid became both a common carrier open to anybody who had electricity to sell and also a customer for such electricity—a market maker. It is now fulfilling both those functions. And instead of having one generation company, we broke the CEGB into three parts. We also opened the market to other generators; approximately twenty new generators have come onto the system.

One of the favorite justifications of industrial pollution can be summed up in the aphorism, 'Where there's muck there's money.'

THE end result is that over the last two years, medium and large industrial users of electricity have had up to 25 suppliers competing for the right to supply them, and we plan to extend that freedom of choice to every household that wishes to exercise it by mid 1998. The critics have now changed their tune and are complaining about how long it has taken to develop the necessary computing technology to do this. One might suggest that if we had said ten years ago that within any foreseeable future every household in the land would have a choice of electricity suppliers, we would have been accused of misleading ourselves and others.

Another criticism of privatization is that it has exposed certain problems and forced the government and the electricity industry to face up to them. Rather than being grounds for criticism, I see this as a further justification of privatization. For example, we had always believed that our electricity industry was extremely efficient, and the industry had always encouraged us to believe this. In fact—as we learned once we introduced competition—so long as the industry was a monopoly it had no incentive to be efficient. One of the favorite justifications of industrial pollution in years past can be summed up in a Northern British aphorism, "Where there's muck there's money." Since an overwhelming proportion of the cost of generating electricity is represented by the cost of the fuel consumed, the most efficient electricity is that which is least polluting. In this case, where there's muck, there's waste, not money. And so, contrary to the predictions that competition would lead to an increase in pollution, competition has given conservation and the environment a boost.

In terms of prices, too, we have seen a spectacular improvement. As a monopoly, the electricity industry was effectively a cost-plus supplier; its profits were a proportion of its costs. The pricing formula that was introduced at the time of privatization demanded an improvement in performance which the industry felt it would not be able to achieve. In fact, a level of performance that the industry found impossible to achieve when it was a monopoly became laughably easy to achieve once competition was introduced. I suspect the same will be true of the regulated local monopolies in the United States.

Part of the productivity improvement came from a reduction in the labor force. We can now see that the industry was chronically overmanned. However, many people argued that an increase in unemployment was too high a price to pay for reduced prices. In fact, the labor reductions did not require painful layoffs; they have been achieved by natural attrition and voluntary departures. In any case, it would be impossible to calculate accurately how any increase in unemployment from reductions in force balances out against increased employment arising from other industries' being able to buy electricity more cheaply, or from consumers' having extra money in their pockets.

All in all, it is now accepted in the United Kingdom that privatization was overdue and is successful. I am sure that deregulation in the United States will bring similar benefits once the period of difficult decisions is over. □

Golden Rule

Alan Greenspan belongs to a long line of gold bugs. But he might do more to spread the faith.

LAWRENCE KUDLOW

'GOLD is money, and nothing else." So J. P. Morgan testified before the House of Representatives' Pugo Committee (investigating the so-called money trusts) in 1913. A little more than forty years later, in 1945, Cambridge don John Maynard Keynes and U.S. Treasury official Harry Dexter White created a new world monetary system that was based on a steady dollar linked to gold at $35 per ounce, thereby ushering in a 25-year period of postwar Western prosperity. After Lyndon Johnson and Richard Nixon broke the Bretton Woods monetary discipline, leading to

Mr. Kudlow is chief economist at American Skandia Marketing, and an NR *contributing editor*

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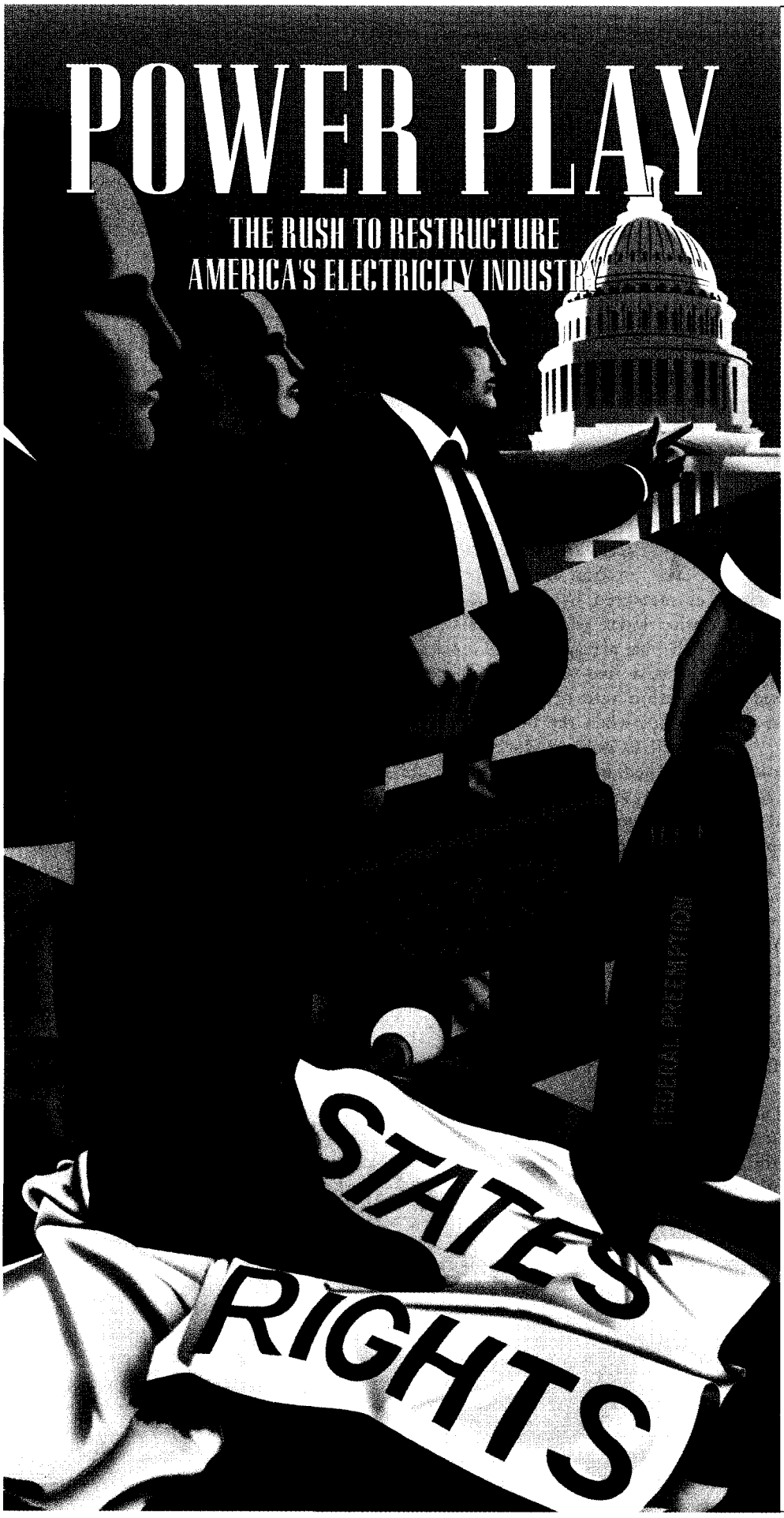

Consumer choice and market competition are prized American values. Today, through scores of state-based reforms, the benefits of market competition are being extended to millions of electricity consumers. In just the last year, Pennsylvania, New Hampshire, California and Michigan have embraced such reforms...with many others soon to follow.

For American conservatives this is the best of all possible developments. Competition flourishes and consumer choice is expanded... without the heavy-handed "one-size-fits-all" intrusions of Washington insiders.

In the rush to promote electricity rate competition, Congress should yield to state-based reforms...rather than short circuit them! Federal mandates and preemptions will trample these innovations and tread on long-standing state prerogatives. Let these state-based reforms surge...without meddlesome Washington interference.

The Honorable Stephen Merrill
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15 years of stagflation, it was left to Ronald Reagan's advocacy of a gold-price rule (and tax cuts) that provided Paul Volcker with the hard-money ground to stand on in order to restore price stability and rebuild the U.S. economy.

Nearly 125 years before J. P. Morgan uttered his dictum, at the very beginning of American economic history, Alexander Hamilton was able to outflank Jefferson and Madison in 1791 and persuade President George Washington to sign into law a bill to create a consolidated national debt that would trade freely on the open market, along with a national bank that would issue currency notes fully redeemable in gold specie. By 1794 United States bonds had the highest credit rating in Europe, according to John Steele Gordon's recent book *Hamilton's Blessing*. Of course, looking as far back as the historical eye can see, gold has always been endowed with a certain mysterious monetary property, even a religious connotation. In ancient times the priest-kings had the first gold coins minted in temples, suggesting that the gods, not men, created money.

In today's world of high technology and global markets, it has become fashionable to disbelieve in both God and gold. Too bad, for continued application of old virtues would greatly assist the transition to the next millennium. Belief in a higher spiritual power would surely improve individual relationships and the general tone of discourse in political life as well as civil society. In monetary terms, the gold price remains the single best indicator of monetary value. Call it the mother of all inflation indicators.

Take a look at recent history. The $800 gold peak in 1980 predicted that year's 13.5 per cent top in the consumer price index. By 1985 gold prices had fallen to $300 per ounce, and a year later the CPI troughed at 1.9 per cent. Then, as James Baker took over the Treasury Department and embarked on a three-year quest to devalue the dollar on foreign exchanges and to pressure Volcker to create too many new dollars at home, gold gradually climbed to $475. Sure enough, in 1989 and 1990 the CPI averaged 5.1 per cent, the stock market stagnated, and the economy briefly lapsed into recession.

During the 1990s, however, Federal Reserve chairman Alan Greenspan refocused monetary policy on the goal of price stability and near-zero inflation. In numerous testimonies on Capitol Hill, Greenspan invoked the use of gold (and broad commodity indexes) as a key advance-warning barometer of inflation fears. What's more, Greenspan has worked hand in glove with Clinton's economic-policy strongman, Robert Rubin, a canny former Wall Street bond trader and arbitrageur who recognized early on that price stability and a strong dollar were essential to maintaining low interest rates in the bond markets and steady economic growth.

THE results of the Greenspan–Rubin hard-money collaboration are striking. Inflation, as measured by the new GDP chain price index (more accurate than the CPI), has averaged only 2.5 per cent for the past five years, very close to the inflation rate of the Bretton Woods period, when the dollar was formally linked to gold. Reduced inflation has increased investment returns and enhanced capital formation (think of it as an economy-wide tax cut). Consequently the stock market has soared, as has household net worth. Recent polling data suggest that 43 per cent of the adult population of this country are now invested in the stock market, nearly double the participation from seven years ago.

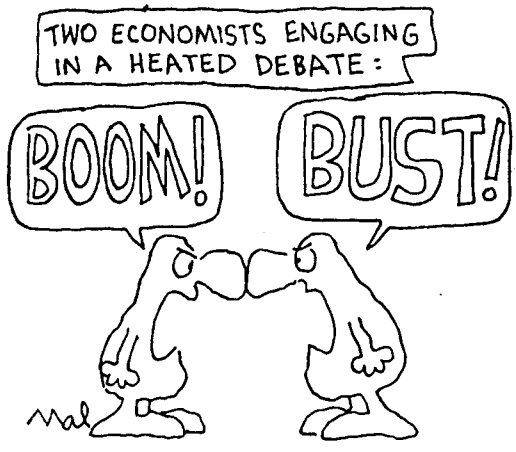
And guess what: the price of gold has averaged only $370 per ounce during this period, just a bit more than ten times the old Bretton Woods par value of $35 per ounce. Gold's critics argue that this proves gold is meaningless. No one's paying any attention to it. There's no investment interest. Good! It is precisely the low and stable gold price that has accurately signaled the decline of inflation and the emergence of price stability. If people were investing heavily in gold, as they did during the Seventies, it would be a very bad sign, an inflationist sign, probably auguring an end to the bull-market economy that has now lasted 14 years.

In monetary terms, the gold price remains the single best indicator of monetary value.

But, the anti-gold bugs say, gold is low because European central banks are selling the barbarous metal in order to meet deficit targets in advance of the European Union's single-currency plan. But a recent London-based study reports that daily gold trading has increased to nearly fifty million ounces, well more than double the entire gold holdings of all European central banks combined.

Then there are the monetarists, especially on Wall Street, who argue that elevated stock markets around the world are a function of overly rapid money-supply growth. According to this view, a new bout of higher inflation is lurking just around the corner. But hang on a minute. What's really happening is an unprecedented increase in the *demand* for money. With free-market economics spreading around the world, there are more opportunities to put more money to work more profitably than at any other time in history. And let's not forget the incredible high-tech boom, where fast information processing and communications breakthroughs, and the business application of these techniques, has created an unprecedented

(Continues on page 48)



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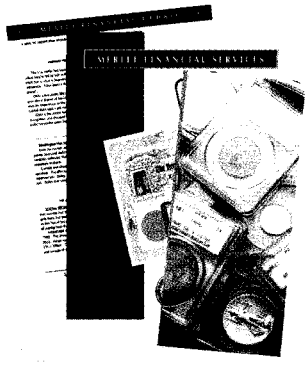

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Still Room to Zoom?

Sure, stocks are high. But relative to what?

PETER BRIMELOW AND ED RUBENSTEIN

HOW about that stock market? It won't stop. Not even when experts like Mark Hulbert's top-performing investment letters tell it to. For about three years back there, they thought it had gotten ahead of itself by traditional measures like price-earnings ratios and dividend yield. It took no notice. Now they've pretty well given up and converted to bullishness. (See M. Hulbert's article, p. 52)

Our chart (below) offers a long-term interpretation: this epochal bull market may have been really a rebound from an even more historic public-policy disaster—the Great Inflation of the 1970s. Adjusted for inflation, the S&P 500 got back to levels seen in the late 1960s only a couple of years ago. Relative to the growth of the economy since 1960—real (inflation-adjusted) Gross Domestic Product—it has still, incredibly, not fully caught up.

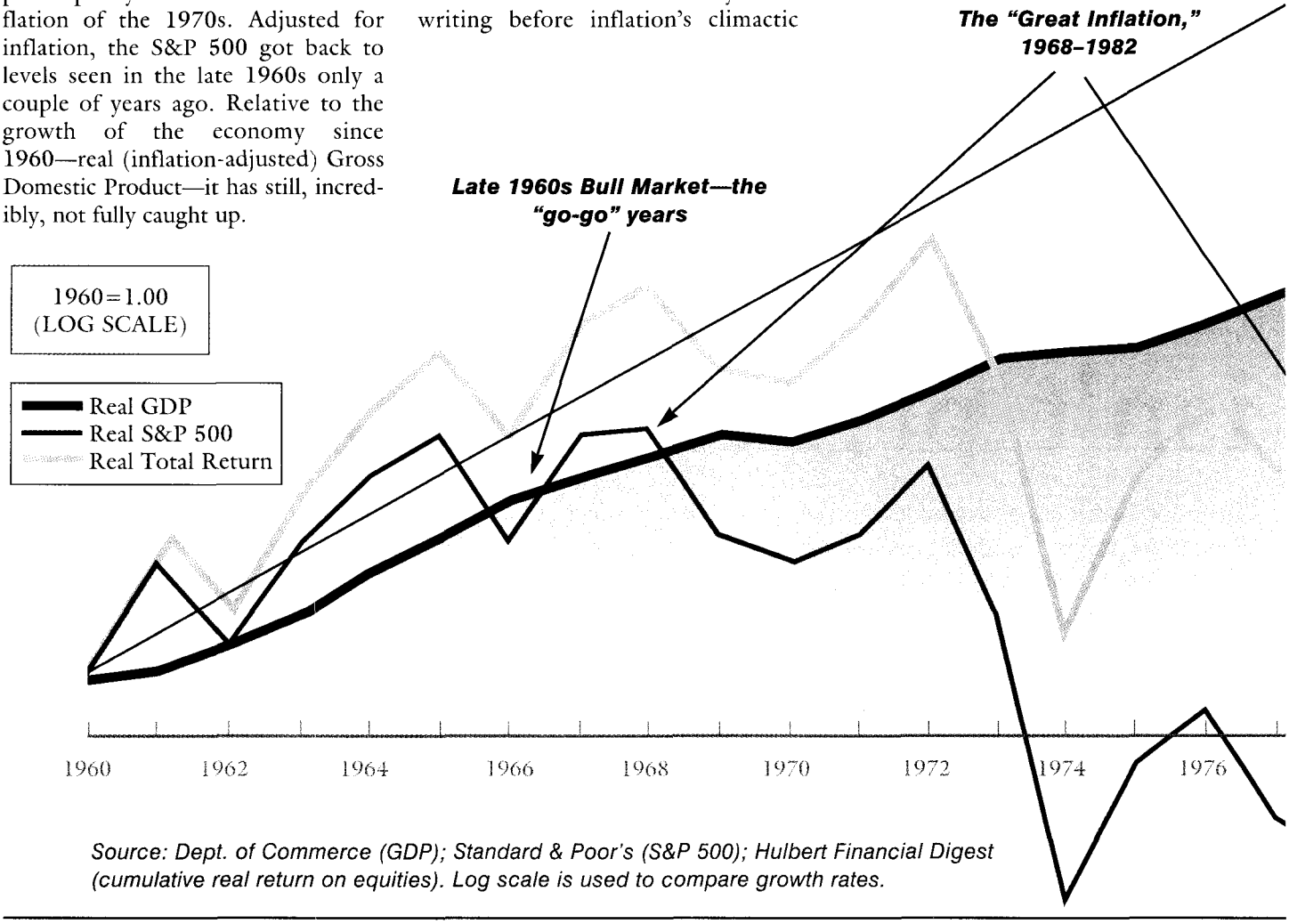
But isn't the market supposed to discount inflation? And isn't it supposed to be efficient—to discount things instantly? (See Allan Meltzer's article, p. 32).

Yeah, yeah, we were taught all that too. But look at the chart—it didn't, did it?

Ironically, this heretical possibility was raised back in 1979, in a now-forgotten *Financial Analysts Journal* article by Franco Modigliani, the Nobel laureate MIT finance professor, and Richard A. Cohn. Arguing completely against type, they concluded that the S&P 500 should have been twice its then-current value. And they were writing before inflation's climactic spasm. History seems to be proving them right.

And there's this. A stock's price is only part of its value to an investor. Most stocks pay dividends. And dividends accumulate. So we also show here the "Total Return" index, measuring both gains in stock price and the accumulated value of dividends since 1960—adjusted for inflation.

Because the Total Return Index adds those accumulating dividends to stock price gains, it naturally diverges upward away from the S&P when both are zeroed to the same base. However, we know the long-run average annual total return on stocks—it has been calculated by Wharton professor Jeremy Siegel, author of *Stocks for the Long Run* (Irwin), at 6.9%, going back into the nineteenth century. And drawn as



Source: Dept. of Commerce (GDP); Standard & Poor's (S&P 500); Hulbert Financial Digest (cumulative real return on equities). Log scale is used to compare growth rates.

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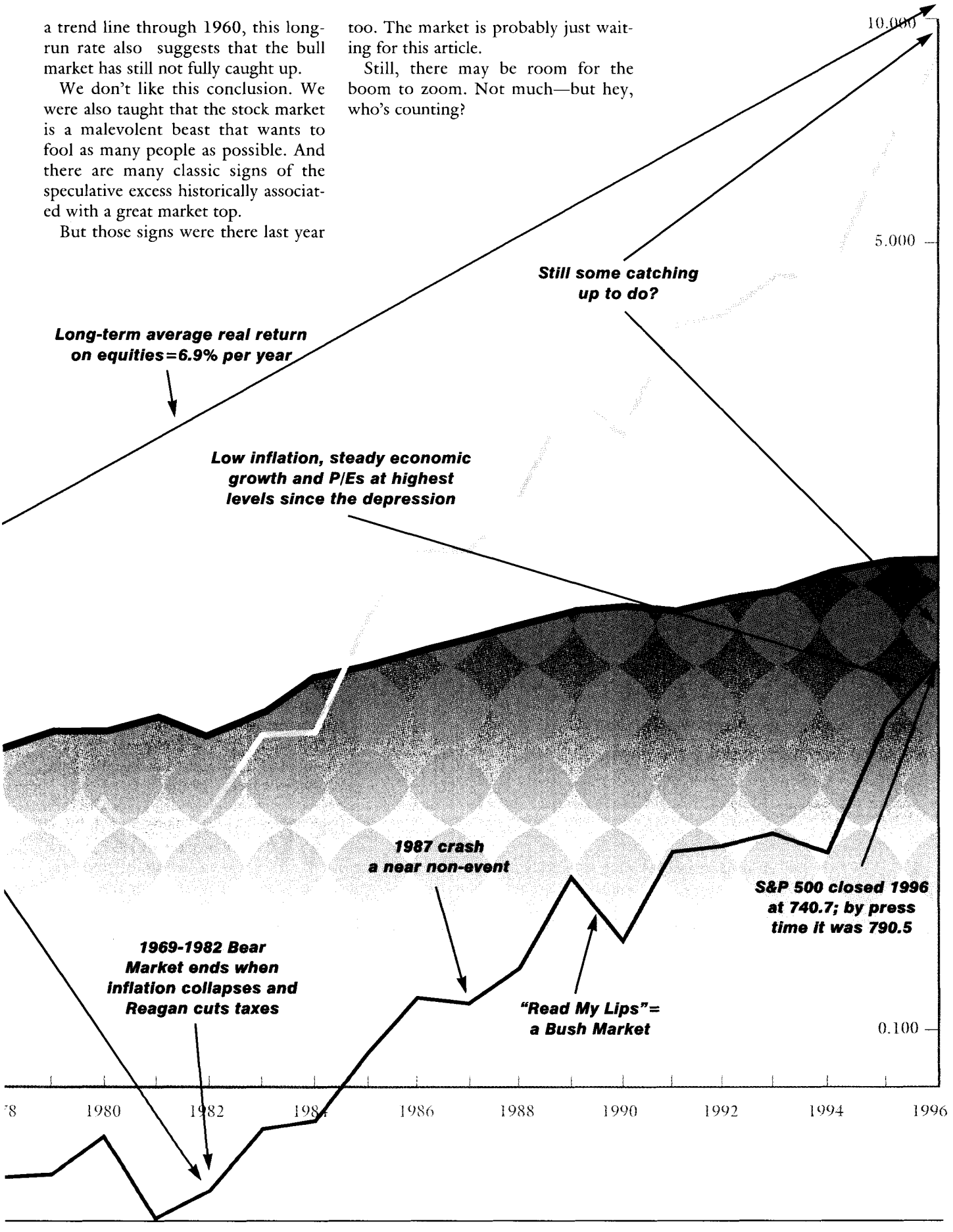
a trend line through 1960, this long-run rate also suggests that the bull market has still not fully caught up.

We don't like this conclusion. We were also taught that the stock market is a malevolent beast that wants to fool as many people as possible. And there are many classic signs of the speculative excess historically associated with a great market top.

But those signs were there last year too. The market is probably just waiting for this article.

Still, there may be room for the boom to zoom. Not much—but hey, who's counting?



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(Continued from page 44)
productivity boom that is expanding the supply side of the world economy. In the United States, numerous studies (including some by Federal Reserve staff) suggest that if the Commerce Department could figure out the proper accounting of the economic impact of high technology, we would see that inflation is actually less than 2 per cent (as the gold price suggests), productivity nearly 3 per cent, and real GDP growth between 4 and 5 per cent. Think of it as the steam engine, the railroads, autos, the light bulb, and the telephone. Only more so. We are in a long-wave prosperity.

As long, that is, as entrepreneurs and inventors have the benefit of stable prices and sound money (and minimal taxation) to guarantee proper rewards for risking financial life and limb. Fortunately, Alan Greenspan recognizes this. He is following the lead of classical British economist John Stuart Mill, who wrote in 1848 that monetary value would be maintained by using the price of gold: "There is a clear and unequivocal indication by which to judge whether a currency is depreciated, and to what extent. That indication is the price of precious metals." So, from the priest-kings, to Hamilton, to Mill, to Morgan, to Keynes, to Reagan, and to Greenspan, the story line is linked to gold.

What remains is to institutionalize the gold-price rule formally. This would guarantee honest money well into the future. After all, Mr. Greenspan is 71 years old and mortal. Now is the time for the Fed chairman to cap his distinguished career by formally adopting a gold-point rule. Should the precious metal rise above about $375–$400, signaling excess money, the central bank would automatically raise the federal funds rate. Should gold fall below $300–$325, signaling deflationary money, the bank would ease by lowering the overnight funds rate.

This would ensure that tomorrow's dollar would have the same value as today's. In spiritual and monetary terms, it would be a new-millennium golden rule. □

Caveat Investor

Trying to keep up with the market has some corporate execs cooking the books.

GRETCHEN MORGENSON

A LITTLE bit of stock-market history was made February 11 when Centennial Technologies, a high-flying maker of computer memory cards with $40 million in sales, fired its chief executive, Emanuel Pinez, and its finance officer, James Murphy. At the same time, Centennial announced it was launching an inquiry into the accuracy of its financial statements, which were suddenly in doubt.

What made history about the Centennial announcement? Few on Wall Street could recall another time when so hot and widely held a stock fell to earth quite so quickly and resoundingly. Centennial was no obscure over-the-counter stock. Its shares were held by many mutual funds and professional money managers. In 1996, after the company's stock price quintupled, it earned the right to be called the top-performing stock on the New York Stock Exchange.

Today, Centennial's shareholders are singing a different tune. According to news reports, Centennial's chairman had boosted company revenues by selling empty metal boxes to companies he controlled and booking the sales as genuine orders for the company's PC cards. While the shares rang in the new year at 58¼—20 times fiscal sales and 153 times reported earnings—by the Ides of March they had fallen to 2¾, near their 1994 levels.

Although remarkable for its fall from grace, Centennial's situation is not an isolated one. As the stock market climbs ever higher, so too do the number of stories of stocks coming unglued because of financial irregularities. More and more companies, it seems, are resorting to cooking the books.

In just the first three months of 1997 we have seen these stories:

—Mercury Finance Co., a maker of auto loans to high-risk borrowers, disclosed to investors that "accounting irregularities" had grossly overstated its profits in previous years. The stock, another high-flier, lost 80 per cent of its value.

—Summit Medical Systems, a health-care computer-software concern, announced on March 4 that revenues of 1994 through 1996 were overstated by between 8 and 12 per cent. The stock slid to 3⅞, down from a high of 26½ in the summer of 1996.

—Systems of Excellence, a maker of video-teleconferencing systems in Coral Gables, Florida, filed for Chapter 11 protection just weeks after its former chairman was sentenced to four years in prison for securities fraud and money-laundering. Charles Huttoe was charged with hyping the company's prospects to investors to inflate the value of his stockholdings. The company's stock—symbol SEXI—went from $4.50 in June 1996 to a recent 1 cent.

WHY was 1996 and the first few months of 1997, which was a fabulous time for stocks, also a fine time for frauds like these? You'd think that when the economy is cooking and stock prices are high, executives wouldn't feel the need to fabricate orders or sales to push earnings up. Wouldn't corporate insiders be more likely to resort to such tactics when stocks are in the doldrums?

Counterintuitive it may be, but bull markets in stocks beget bull markets in fraud. William McLucas, director of enforcement for the Securities & Exchange Commission, recently told an investment-industry conference that the stock market's climb to 7000 has led to a dramatic jump in stock-price manipu-

Miss Morgenson is a senior editor at Forbes.

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If someone set out to design the ideal monetary (payments) system - what would it be like?

100% backed by a tangible commodity

A medium of exchange transmits value and inevitably must serve as a store of value. Value can be embodied in tangible commodities or in declarations and promises. Gold has always emerged as the spontaneous preference of free men and free markets. On theoretical grounds it makes perfect sense - its scarce (but not too scarce), chemically distinct and stable. Gold is divisible, retaining value proportionate to quantity (weight). Practically speaking and most importantly - politicians and bankers can't simply print gold.

Convenient

Gold coins, for all their advantages, are inconvenient. They are a fixed size. Payment requiring physical transfer is costly and slow. A payments system should be electronic and worldwide, capable of clearing almost instantly [if someone renders payment to you, you shouldn't have to wait a few days before you can spend it]. Also, most goods and services are currently priced in dollars and cents. The ideal system should easily and automatically convert dollar prices into weight and vice versa.

Verifiable

Lets say a circulating medium is purported to be 100% backed by physical gold. How can you, as an individual, test the fidelity of the issuer? Ideally, you should be able to personally audit their records. There must also be an unconditionally guaranteed right of redemption: easily exercised, promptly fulfilled.

Secure

SSL (Secure Socket Layer) utilizes strong encryption, affording a previously unimaginable level of transaction security. All the king's horses and all the king's men can't counterfeit digital authentication.

Accountable

Whoever issues and administers a medium of exchange must be accountable under law (unlike sovereign issuers who are never sued or prosecuted for debasing and ruining money). The value and profitability of a private enterprise depend entirely on the goodwill it earns by providing value and service on a competitive basis.

Fall 1995, a monetary system based on these criteria was conceived. It is now implemented — the re-monetization of gold is underway. It's called

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lations. Especially vulnerable, according to the SEC, are investors who buy small over-the-counter stocks.

But as Centennial demonstrated, even shareholders in large, established companies can wake up to find their stocks in tatters following an announcement of trouble with the financials. Our advice: Caveat investor.

Today, corporate executives have compelling reasons to want their stocks in the stratosphere.

WHY more frauds now? First of all, because the stock market, to paraphrase Willie Sutton, is where the money is. But there's more to it than that. Today, corporate executives have compelling reasons to want their stocks in the stratosphere. And people whose business it is to get share prices up—known in Wall Street lingo as promoters—have more ways to do it than ever before. It is a happy confluence of events for the beneficiaries, if not for the unsuspecting shareholders.

Corporate bigwigs, for example, almost always hold large positions in their company's stock, which they can sell piecemeal, according to SEC rules. A rising stock price, therefore, has a direct, and possibly substantial, impact on their net worth. It is also very common nowadays for chief executives to have part of their compensation—usually a bonus—tied to their company's earnings performance, if not its stock-price moves. In any case, earnings drive stock prices. This can be a big incentive to make sure earnings are as high as they can possibly be.

Here's another: The millions of stock options that a corporate executive typically gets each year as part of his pay package become worth something only if the company's stock rises significantly in price from the time the options were awarded. And corporate chieftains also know well that it's easier to raise money in the stock market—whether for research, development, or company expansion—if their shares are hot than if they are cold.

And another: High stock prices help if the company is contemplating a merger or acquisition. Such deals nowadays are often paid for not in cash but in shares of the acquirer. The higher the acquirer's stock, the cheaper the acquisition. Almost 40 per cent of all mergers and acquisitions last year were paid for in stock.

Paralleling these increased incentives for high-level managers to keep their stocks aloft is a rise in the number of methods that promoters can use to boost share prices. Some are old standbys that are simply being used more assiduously today: for instance, research analysts at major Wall Street firms no longer even pretend to be hunting down promising stocks for their institutional or retail clients. Rather, they are interested in generating deals—underwritings of shares or debt offerings—for their firm's investment-banking group. How better to do this than with rosy research reports? The analysts get a piece of the revenues generated in the underwriting.

But there are other ways Wall Street can propel stock prices. For example: listing options on a stock gives it a higher profile among investors, which tends to push up its shares. Why? Because the leverage available in options allows speculators to take a position in a stock for a fraction of what they'd have to put down to own the stock outright. And the easier it is to make a bet on a company, the more likely it is that investors will place those bets.

Options have been around since the mid 1970s, but they've become explosively popular in recent years. According to the Options Industry Council, options trading scaled new heights in 1996. The number of stocks that have options traded on them topped 2,000 last year, up from 523 ten years ago. Nowadays, options on a single stock are traded on several exchanges, not just one as used to be the case. Result: increased speculation.

But the biggest boost that stock promoters have received in recent years is the Internet, where anonymous touts can sound knowledgeable about companies, luring investors into their stocks. So-called chat rooms on the Web have dramatically increased investor interest in stocks. Iomega, for example, a former favorite in the business of computer storage disks, ran up to almost $80 last May; it has since dropped back down to $23. Although it's hard to quantify how much of the stock's runup was related to the Internet, people who follow the company confirm that online chatter was a big propellant.

The bottom line: It's harder than ever to know whether the good news you read or hear about a company is really good news at all. Incentives to hype a stock are greater than ever before. And, thanks to the Internet, the methods available to the hypesters are ever more sophisticated as well.

All in all, it's a tricky time to buy stocks. □

Capital Cuts

The debate over capital-gains tax cuts may finally yield dividends this year.

ALAN REYNOLDS

THE odds seem very good that the 1997 budget battles will include some sort of broad-based cut in the capital-gains tax. The Associated Press reports that "one of Capitol Hill's biggest arguments now is not whether capital-gains taxes should be cut, but by how much and when."

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The details matter. Some Democrats favor "targeted" tax relief. But efficient allocation of capital requires that investors make their decisions on the basis of economics, not political favoritism. To use tax policy to bribe investors to hold the wrong investments for too long just impairs the liquidity and mobility of capital. "Short-termism" is a hoax. Managers of firms are not influenced by how long investors hold their shares, but by the value the market places on those shares. And the value of shares does not depend on how many years they are owned by the same person.

The whole notion of targeting capital-gains tax relief is fundamentally misguided. So too is the trendy idea of providing a large exclusion for capital gains on homes, but not on other assets. It would be far better, as Norman Ture suggests, to treat all capital gains the way we now treat gains on housing—i.e., no tax at all so long as the gains were reinvested.

THE leading Republican proposal, a leftover from the Contract with America, is less than ideal when it comes to the timing of capital gains. By taxing capital gains at half the 1993 tax rates (and thereby capitulating to that system of graduated rates), the Republican plan would create five tax rates ranging from 7.5 per cent to 19.8 per cent. People would have an incentive to realize gains in years when they were in lower tax brackets—perhaps by postponing gains until retirement, or even taking a year off to qualify for a low capital-gains tax. A 7.5 per cent rate in the lowest bracket is a useless gesture, because anyone with a significant gain would no longer be in that bracket. Any tax on capital gains should in any case depend on the amount of gain, not on your salary during the year the asset is sold. It would be far more efficient to simply adopt a flat 15 per cent rate for gains, or perhaps a 20 per cent maximum with indexing.

Another potential problem is that Republicans might wind up paying a high price for a scaled-back cut in the capital-gains tax. It could easily involve accepting some risky schemes hidden among the Administration's package of 34 tax increases, all aimed at businesses and investors. Or it might involve accepting Mr. Clinton's costly and ill-designed tax deductions and credits for college tuition.

Putting these caveats aside, we are nevertheless likely to see some significant relief from capital-gains taxes, and not just for homeowners. We might even see some protection against future inflation, although that seems less likely because it is scored as a serious revenue loser.

It should be firmly announced that any capital-gains tax cut will be retroactive to January 1, 1997.

Some journalists have pointed to cuts in the capital-gains tax in 1978 and 1981 as evidence that another reduction in the capital-gains tax would so encourage asset sales that the stock market would drop. But the evidence from that earlier period is tainted by the fact that inflation was roaring at the time—creating bracket creep, overtaxation of illusory capital gains and paper profits, and rising interest rates. In normal times, a lower capital-gains tax encourages buying and holding stock, not just selling, because investors know that they will be able to keep a larger share of any future gains.

This is not to say that timing isn't important. As soon as possible, it should be firmly announced that any capital-gains tax cut will be retroactive to January 1, 1997. Otherwise, the incentive to postpone trading could add unnecessary uncertainty to the markets until the issue was settled, and there could well be a disruptive bunching of sales just after the change was made effective.

Other than such timing concerns, a lower capital-gains tax is unambiguously favorable for asset values—particularly for those assets that pay off in the form of capital gains rather than interest and dividends. The market value of such assets is determined by the "discounted

Mr. Reynolds is director of economic research at the Hudson Institute.

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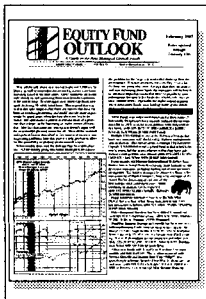

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present value" of future income to investors, after taxes. At any given interest rate, shares in the future earnings of a company are worth more if the tax collector is expected to take a smaller bite.

Even in the case of bonds and high-dividend stocks, the chance of capital gains is part of the motive for keeping funds in them rather than the money market. If nothing else changes (such as inflation or the dollar), then bond prices should rise, and interest rates fall, on news of a lower capital-gains tax. Potential capital-gains on bonds will also become more attractive, after taxes, even though that may not be the primary motive for holding bonds.

THE clearest winners, however, are stocks in young companies that are using all their profits to grow, and therefore offer no regular dividends. Most of these emerging companies are listed on NASDAQ, and include clever service and retailing firms as well as high tech.

The value of a lower capital-gains tax to vibrant entrepreneurial ventures is not just that capital gains are the only way they have of attracting and rewarding shareholders. Such companies cannot offer Fortune 500 salaries, so they use shares of the company, and the dream of capital gains, as a big part of the compensation of skilled managers and talented professionals. Capital gains are also vital to getting access to seed capital at the earliest, most vulnerable stages of development. Young companies have limited access to bank credit, and even less ability to issue publicly traded bonds or commercial paper. Money-market funds, for example, are allowed to hold the commercial paper only of established firms with proven credit ratings. Emerging companies are therefore critically dependent on private placement of debt or equity to venture capitalists willing to take the risk. Later, when such firms first issue public shares, they become dependent on the willingness of investors to take risks in companies that cannot yet pay dividends. In short, the most dynamic emerging companies, and related mutual funds, stand to benefit in many ways from the lowest possible tax on capital gains.

As all the "Asian tigers" understand very well, the right rate for a capital-gains tax on corporate stocks or bonds is zero. There is no justification for an additional capital-gains tax on assets that yield taxable income. As a purely practical matter, even greedy tax collectors should want to keep this tax very low to discourage two easy ways of avoiding it—substituting tax-deductible corporate debt for equity, and not selling shares.

Indexing is potentially important at the venture-capital stage, but it has a technical flaw: indexing applies only to the original basis, when assets were first purchased, not to reinvestments made along the way. This makes indexing less useful than a lower tax rate to 1) companies that are growing by reinvesting, and 2) stockholders who reinvest income and gains in more shares. Moreover, any politically viable proposal would apply only to future inflation. A lower tax rate would be far more effective in unlocking the trillions that are tied up in inflated investments made years ago. Indexing can be important to commercial real estate, however, and so investors in real-estate investment trusts have a large stake in the issue.

As the debate over capital gains heats up, we can count on such familiar voices as Herb Stein and Michael Kinsley to complain, once again, that capital gains are no different from salaries and ought to be taxed the same. If they really believed that, then they should be perfectly willing to give up the security of a monthly salary in exchange for the possibility of an uncertain amount of gain or loss at some unknown future date. Those unwilling to make that trade understand the difference between income and capital gains much better than they let on. □

The Long Run

The indicators indicate that the market should fall—which has the experts apologizing.

MARK HULBERT

ONE little-noted side effect of this unprecedented bull market is the elaborate theories that bearish advisors have developed to explain why their forecasting models have been so wrong. The phenomenon itself is quite remarkable. Up until now in my 17 years of tracking the investment-newsletter industry, I rarely have come across an advisor who is willing to admit he's been flat-out wrong, much less devote such energy to explaining *why* he was wrong. That this practice is now commonplace is testimony to the fact that this bull market has risen further and lasted longer than virtually anyone predicted.

Consider the newsletters whose forecasts I reviewed in these pages one year ago. At the time, the best long-term performers were, on balance, quite bearish. Needless to say, they turned out to be quite wrong. What do they have to say for themselves one year later, with the Dow Jones Industrial Average some 1,500 points higher?

Before reviewing the advisors' explanations in these two categories, let's step back and look at why so many top-performing advisors have been bearish over the last several years. There are three valuation measures that almost all of them focus on, and each is overwhelmingly bearish. These measures compare the market's current value to companies' book value, their stocks' dividend yield, and their earnings.

The market's price-to-book-value ratio is perhaps the most bearish of these three indicators. The S&P 500 currently is priced at about 4.4 times the com-

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bined per-share book values of its component companies. This in effect means that investors currently are valuing companies at 4.4 times their net worth. In contrast, the average price-to-book-value ratio over the last seventy years has been 1.7 to 1. Even at the stock market's 1929 peak, the ratio never got above 3 to 1. Never before has the stock market traded at so high a level in relation to companies' net worth.

Another historical perspective on the price-to-book-value ratio is provided by recalling how low the ratio fell during past bear markets. At the last two bear-

1997 is shaping up as one of the riskiest years in stock-market history.

market lows (mid 1982 and late 1974), for example, this ratio stood at around 1 to 1. Currently the book value of the stocks on which the Dow Jones Industrial Average is based is below 2,000.

The market's price-to-dividend-yield ratio is hardly less bearish than the price-to-book-value ratio. Price-to-dividend-yield measures how much investors are willing to pay for a dollar of dividends, and it has never before reached today's level of 53 to 1. All prior bull markets have ended at ratios no higher than about 35 to 1. One way of appreciating how overvalued the current market is is this: the market would have to drop more than 2,000 points for it to trade at what used to represent extreme overvaluation.

The final valuation measure focuses on how much investors are willing to pay for a dollar of earnings. That ratio currently stands at about 22 to 1 for the companies in the S&P 500. The only other times in U.S. history when this ratio has reached such a level came during times of depressed corporate earnings. Never has the ratio stood this high at a time—like today—of record corporate earnings.

The long-run norm for the S&P 500's P/E ratio is about 15. This means that for the stock market to trade this year at its long-run norm, it would have to drop more than 2,000 points. At the trough of the 1973–74 bear market, furthermore, the S&P 500's P/E ratio stood at around 7. With current earnings that would translate into a DJIA of around 2,000.

JUST as surely as these three measures are bearish, they have been dismal failures. In fact, these measures turned bearish several thousand DJIA points ago. For the last year they have been screamingly bearish. And yet the market has proceeded unrelentingly upward, having now gone more than five years without even so much as a 10 per cent correction.

The response to this from some of the bearish advisors has been to revise their forecasting models. The advisor whose revision makes the most sense to me is John Hussman, editor of *Hussman Econometrics* and an adjunct professor of economics at the University of Michigan. Before he turned bearish several years ago, his letter had one of the best market-timing records in my *Hulbert Financial Digest* investment-letter monitoring service.

Hussman has revised his market-timing model to take into account the trend in interest rates. According to his analysis, whenever interest rates are trending lower, stocks tend to go up—even during periods of extreme market overvaluation. This explains why the stock market has exhibited such resiliency. Indeed, Hussman believes there is no time limit on how long the market can postpone the bearish implications of overvaluation—so long as interest rates continue lower.

The key word here is postpone, however, not cancel: Hussman remains extremely bearish about the market's long-term prospects. To illustrate, he fed into his models the assumption that the market retreats to a 3 per cent dividend yield from its current level below 2 per cent—a modest assumption, since a 3 per cent dividend yield would mean that the market is still overvalued by historical standards. If it takes five years

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for the market to retreat to a 3 per cent yield, the total return for stocks over the next five years would be zero, even allowing for a 6 per cent annual rate of increase in dividends. If the market takes a decade to return to a 3 per cent yield, Hussman calculates that stocks' return for the next ten years would be just over 4 per cent. In either case you could do better by investing in riskless government securities.

How long can stocks postpone a bear market? Hussman suggests that we should keep our eye on the 30-year Treasury-bond rate, which currently stands at around 7 per cent. A rate above 7.15 per cent "would create immediate problems" for the stock market, Hussman says. Otherwise, "stocks will have the tendency to bounce back after selloffs."

Another (larger) group of bears has responded to the bull market by adhering to its long-standing bearishness. Typical of this group is Geraldine Weiss, editor of *Investment Quality Trends*, whose forecasting model relies on dividend yield. Earlier this year she wrote: "Having cried bear for more than three years, the bull may have gored our credibility. Still, we cannot change historical profiles of value; we cannot tinker with the ominous appear-

The Coming Depression?

LEVERAGING by the banking system, sometimes coupled with the creation of irredeemable paper ticket money, has been responsible for every recession/depression over the past two hundred years. One of the clearest explanations of the process is that of Fed Chairman Greenspan in his essay "Gold and Economic Freedom." He wrote:

> The excess credit which the Fed pumped into the economy spilled over into the stock market—triggering a fantastic speculative boom. Belatedly, Federal Reserve officials attempted to sop up the excess reserves and finally succeeded in braking the boom. But it was too late: by 1929 the speculative imbalances had become so overwhelming that the attempt precipitated a sharp retrenching and a consequent demoralizing of business confidence. As a result, the American economy collapsed.

As Michael Belkin of the Foundation for the Advancement of Monetary Education (FAME) wrote in a recent study:

> Isn't this exactly what has happened in our time? The so-called real Fed Funds rate (Fed Funds minus CPI) averaged –0.12 per cent from November 1992 to May 1993. That was the only instance in the past 16 years of negative real short-term interest rates. For the full two-year period 1992–93, the real Fed Funds rate averaged only 0.28 per cent, versus a 16-year average of 3.5 per cent and its current level of 2.25 per cent. In this way, excessively low interest rates in 1992–93 penalized savers and induced them to transfer money out of stable par-value bank deposits into much riskier stock mutual funds that promised double-digit annual returns.

Fed-manipulated lower interest rates increased the profits of highly leveraged companies. Higher profits increased valuations. But more significantly, decreasing interest rates caused profits to be capitalized at even higher levels, thereby driving equity valuations higher still—a double whammy.

Even more troubling than the Fed's manipulating the low end of the yield curve is the monetization of U.S. debt by foreign central banks, mostly the Bank of Japan. Since the end of 1992, they have purchased almost $450 billion in U.S. Government securities. Were it not for these ongoing purchases, now routinely $2 to $5 billion per week or more, the dollar would be weaker, foreign imports would be more expensive, U.S. manufacturers would have pricing power, the CPI would be higher, and so would interest rates.

There is also the issue of irredeemable paper ticket money (dollar) creation. Lost is the fax of "balanced budget" nonsense in the fact that the U.S. budget is a cash budget, as opposed to an accrual budget, which almost every business uses. According to Peter Peterson (former secretary of commerce, former chairman of the Council on Foreign Relations, former chairman of Lehman Brothers, now head of the Concord Coalition) the U.S. budget deficit on an accrual basis is $1.5 trillion per year. Not being able to tax such large amounts, governments have always reverted to the printing press to provide the benefits with which they buy notes.

This is not all. There is also the safety net/subsidy that the Fed (really the taxpayer) provides to the banking system, enabling it to over-leverage and profit at taxpayer expense. But why should ordinary taxpayers guarantee the profits of bankers?

Finally, what are Mr. Greenspan's views about the prospects of a complete financial collapse? He says:

> With leveraging there will always exist a remote possibility of a chain reaction, a cascading sequence of default that will culminate in financial implosion if it proceeds unchecked . . . Only a central bank, with its unlimited power to create money, can with a high probability thwart such a process before it becomes destructive.

What people should be asking is: How high is a "high probability?" How much of the dollar's purchasing power would be lost if the Fed were to exercise its "unlimited power to create money" to ensure the profits of the banking system?

But the most important question is: Why should we be at risk of another Great Depression? Why shouldn't we have a monetary system—the gold standard—that, in Mr. Greenspan's view, virtually eliminates this risk?

Since the demise of the Evil Empire, there is general agreement that central planning doesn't work. Why should the Fed, a central planner par excellence, have any more success than any other central planner? It doesn't sound to me as if Mr. Greenspan thinks it will.

—LAWRENCE M. PARKS

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ance of fundamental measures which in the past always have preceded bear markets; we must continue to warn of a severe decline in stock prices that is long overdue."

Another newsletter in this camp is *Market Logic*, which is published by the Institute for Econometric Research. For more than three years now this letter has allocated at least half of its stock portfolio to cash. Sensitive to the charge that they were perennial bears, its authors wrote earlier this year: "Given a change in the evidence, and a change in the direction on our objective econometric models, we are prepared to turn on a dime and switch to an all-out bullish posture. Alas, those conditions and those models do not now indicate the wisdom of such a switch."

Might it be that the financial arena has so changed that the historical precedents no longer apply? To the bears in this camp the answer is a resounding, No. They are quick to remind us of the past instances in which advisors bet that history no longer applied—and then had to eat their words. The most famous example was Yale Professor Irving Fisher's 1929 prediction that stocks had reached "what looks like a permanently high plateau."

HOW do the bulls respond to the bears' arguments? In many ways their responses remind me of the Keynesian retort to monetarists—that in the long run we're all dead. It's all well and good, they argue, to insist that the market eventually will trade at its fundamental value. But, they ask, how much money must we be prepared to lose, how many opportunities must we forgo, while we wait for that eventuality?

In defense of the bears, it must be said that market timing is a matter of risks and probabilities. The fact that the bull market has lasted longer and risen higher than anyone predicted doesn't mean that risk wasn't also high. It may just mean that the market dodged yet another bullet.

If we define risk as the distance between the market's current level and the earnings, book value, and dividends of corporate America, 1997 is shaping up as one of the riskiest years in stock-market history. □

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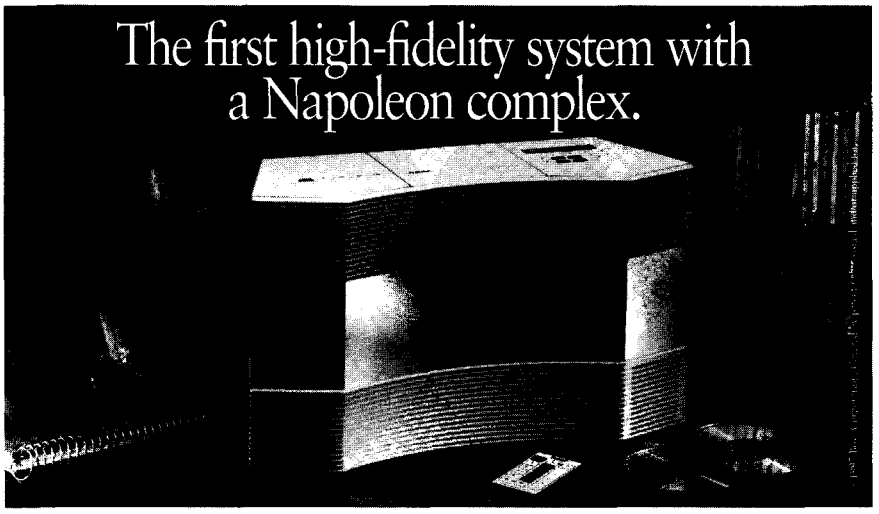

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After Reaganism

Seeing its old answers rejected, the Left has nimbly shifted ground, seeking Utopia by other means. Where are the conservatives who should be resisting?

JOHN O'SULLIVAN

"THE commonest error in politics," said the nineteenth-century British statesman Lord Salisbury, "is sticking to the carcasses of dead policies." Conservatives have fallen headlong into this error. It is hardly possible to open an op-ed page or to listen to a conservative talk-show without hearing that we conservatives should return to the wisdom of Ronald Reagan. We should have, we are told, tax cuts on the Reagan model; at home we should go for growthmanship and shun the root-canal approach; abroad we need a Reaganite foreign policy; we should have his faith that America's "shining city on a hill" can expand indefinitely to absorb and accommodate all the cultures of the world; and in all things we should exhibit the genial optimism that President Reagan exuded and that animated his successful campaign in, of all years, 1984.

Now, I count myself a Reaganite and greatly admire Mr. Reagan's historic achievements and the solid political legacy he left to be squandered by his successor. But let us be clear: Reaganism was not an innovation in political thought. It was conservative common sense applied to the problems that had developed in the 1960s and 1970s. To the stagflation of the economy, it applied tax cuts and the monetary control of inflation; to the market-sharing cartel of OPEC, it applied price decontrol and the "magic of the marketplace"; and to the revived threat from the Soviet Union it applied a military build-up and economic competition.

These policies were what most conservatives would have recommended as answers to these problems at most times in this century. The only novel thing about them is that they were actually carried out. Previous Republican Administrations had merely talked about them. If these ideas had failed when finally given their chance, conservatives would then have had some serious explaining to do. Fortunately, their success confirmed the validity of the conservative approach.

It can even be argued that in one respect President Reagan was extremely fortunate: the problems he faced, though they had baffled liberals, were problems which gave conservatives no great intellectual difficulty. Liberals were then wont to say, indeed, that conservatives were offering simple answers to complex problems. But the problems were complex to liberals only because they insisted on misunderstanding them at a very simple level. Just as the Ptolemaic theory that the sun goes around the earth can be made to yield accurate predictions only by qualifying it with a multitude of exceptions and special cases, so the liberal belief that inflation was caused by unions and corporations seeking higher prices led to a multitude of difficulties as each intervention to hold down prices created more problems which required more interventions which in turn created more problems and so ad infinitum. And what was true for inflation also held for most areas of policy. It was the complex solutions advocated by liberals that caused the complex problems—at least as much as the other way around. No wonder liberals suffered from malaise.

Their malaise deepened as conservatives won two great victories in the 1980s—the consequences of which continue to reverberate. The first was the victory of the West in the Cold War; the second the intellectual victory of free-market economics over economic planning. Taken together, these have combined to produce a marked shift to the Right in world politics, at least in economic policy, comparable to the world's shift to liberalism after the defeat of the

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Axis powers and the discrediting of any kind of right-wing authoritarianism in 1945. Marxists from Harvard to the Chiapas region of Mexico now lament the world-wide dominance of "neo-liberalism." The moderate Left in Europe now asks: "What's the Big Idea?"—i.e. what's the big idea that can replace socialism. In this country, Mr. Clinton won in 1996 by endorsing a balanced budget, school uniforms, and white picket fences. Some genuine conservatives have therefore concluded that "We won."

UNFORTUNATELY, as Margaret Thatcher remarked, there are no permanent victories in politics. (It was a prescient remark—made in her last party-conference speech as prime minister.) The game of politics continues indefinitely—but it continues on different ground and under shifting rules. And though the Left ought to be more confused than the Right by the ideological flux of the post–Cold War world, it is in fact moving more quickly to redefine the ground-rules of the new political game. It is doing so, moreover, not by conscious political calculation and argument, but by that curious blind but almost infallible instinct which seemingly enables liberals to see and promote their long-term aims collectively yet without any prior agreement—an instinct that led Tom Bethell and Joe Sobran to invent the term "The Hive." That instinct comes in two parts: there is first the drive to support social trends that foster the disintegration of existing society; and, second, the impulse to build on the ruins a new social order in which traditional relations will be replaced by bureaucratic management. In other words, far from retreating at the end of the Cold War, the Left is seeking to advance: from planning merely the economy to planning society as a whole, from efficiency to equity.

If the economic argument for statist liberalism has evaporated, the impulse to run other people's lives which underlies it remains.

Let me now examine how that two-headed instinct plays out in three areas of policy: the economy, social issues (more precisely, moral issues), and cultural or identity politics (more precisely, the national question).

At first glance, the economy seems the most promising area for the Right. All parties now pay at least lip service to capitalism, a balanced budget, control of public spending, low (if not lower) taxation, and the good opinion of the bond market. To be sure, there will be disagreements over economic issues between political parties until the end of time. But as far as macroeconomic policy is concerned, we are living in a post-socialist age.

But this conclusion is too optimistic. If the economic argument for statist liberalism has evaporated, the impulse to run other people's lives which underlies it remains. The politicians and bureaucrats who seek to control us now do so on different and more slippery grounds.

They begin by expanding regulation on common-sense grounds of protecting consumer health, workplace safety, the environment, and racial or gender "equity." Who can object to such desirable aims, or even subject them to cool analysis of costs and benefits? Not the average Republican congressman. Yet although these interventions are not advanced on economic grounds, they assuredly have economic consequences. Most obviously, their total costs are a considerable burden on the economy. A 1990 estimate by the Environmental Protection Agency put the opportunity cost of clean-air and clean-water regulation at about 5.8 per cent of gross domestic product. As for the economic consequences of more intangible controls such as racial and gender quotas, there has been a noticeable reluctance on the part of academics to wonder whether these have economic costs at all. Fortunately, Leslie Spencer and Peter Brimelow did not share that reluctance. Their research led them to estimate in *Forbes* magazine that the opportunity costs of affirmative action were on the order of 4 per cent of GDP. Everett Dirksen's observation—"A billion here, a billion there, and pretty soon you're talking about real money"—begins to sound quite modest.

Such regulations presumably account in part for whatever "stagnation" of wages may have occurred over the last twenty years. People have taken the greater wealth produced by economic growth in the form of these dispersed social, health, environmental, and equity "benefits"—which has meant that there is less left for the wage package. The same burden of regulation also powers much of the recent drive for protectionism. Both on the union Left and the Buchananite Right the explicit argument is advanced that regulated American industries are at a competitive disadvantage against the "dirty capitalism" of the Third World. Although this argument overstates the case—American industry is highly competitive when the total "mix" of productive factors is taken into account—it does have the merit of conceding that tariffs would protect not American jobs but American levels of regulation. Once again, complex solutions create complex problems.

More important, they represent an attempt by the liberal bureaucracy to bring nominally independent companies and individuals under its control without the bother of owning them and so being responsible for the consequences of the decisions which the bureaucracy enforces on them—what might be called "socialism without tears."

But this sort of economic regulation is ultimately less significant than the second area of policy—the social issues—where the Left exercises the moral regulation of society by government. We are told by government, for instance, that equity or fairness dictates not only racial and gender quotas to remedy the effects of discrimination, but also "sensitivity training" to root out ethnic prejudices of which we may be unaware. (Judges now routinely sentence offenders to such political re-education.) Or that a proper concern for our own health (or at least for the social cost of our medical treatment) requires an ever-higher level of regulation of smoking and drinking. Or that if we have inappropriate sexual attitudes—a belief, say, in traditional morality—then government should seek to protect our children from what liberals see as the consequences of such obscurantism (AIDS, unwanted pregnancies) by compulsory sex education at school and, when that fails, the availability of abor-

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tion. Or that the government's obligation to protect the environment goes beyond simple long-term prudence; children are increasingly taught in school that this is a religious obligation which puts the interests of the Earth or Gaia above even the long-term interests of the human race.

(These last two justifications for moral interventionism—children and Nature—are supremely shrewd. They give the socially interventionist Left something which every politician has always wanted: silent constituents. For children are not allowed to answer back, and the environment cannot do so. Listening to Al Gore or Bruce Babbitt, there are times when one wishes that dolphins and chimpanzees really could speak. It would be especially interesting to hear the candid opinion of the sloth on welfare, of wolves on foreign policy, and of the cuckoo on family values.)

THE two-headed liberal instinct is very much at work here. First, it discredits the dispersed moral sentiments of traditional society—such virtues as duty, fidelity, and chastity—which enable that society to work spontaneously without too close a bureaucratic supervision. Second, it seeks to deal with the moral problems thus aggravated by imposing its own moral values through law and regulation. Consider welfare policy. By making no moral distinction between the widow or deserted wife and the never-married mother, it sends out the message that the stigma attached to illegitimacy (and by extension to female promiscuity) is no longer taken seriously. That message, however, encourages an increase in the number of children born out of wedlock—and into the welfare system, where the regulations administered by the liberal bureaucracy actively discourage the two-parent family. So the bureaucracy seeks to cope with any ill effects by "safe-sex" education, by a network of social work, and by economic redistribution that enables mothers and children to live without depending upon male support—the only form of dependency of which it disapproves. The net result is that the poor are transformed from a working society, held together by traditional relations, into a disaggregated and dependent mass administered by a social bureaucracy according to its own moral lights.

What are these moral values? These are rather like the British Constitution—not written down in any single document but deducible from the practice of government over a period. They can be reduced to two basic rules, from which everything else flows: all groups should be treated equally (the definition of "equal treatment" being equal outcomes), and no one should be allowed to harm anyone else or even perhaps himself (the definition of harm generally being physical but open to a liberal interpretation when, for instance, someone is offended or even supposedly made ill by "racism.") The result of moral regulation on these lines is to keep the form of old-fashioned virtue intact, but to transform its content. Thus, the family is celebrated but re-defined to encompass any group of people living in the same household—and on that basis there is strong resistance in the bureaucracy to building the discouragement of illegitimacy into welfare reform. Or the ideal of fairness is supposed to underlie affirmative action; but that fairness has been removed from the individual and transferred to the group so that the individual is often treated unfairly in order to achieve statistical fairness across groups. Or, although a single cigarette is infinitely less risky than a single act of anal intercourse (even under "safe sex" rules), the first is made the target of strong social and legal stigmas whereas the second is encouraged (or at least criticism of it discouraged) in discussions of public health. Under the guise of health education, a different set of moral values is being propagated. Or when the public, worried by crime, demands draconian punishment, the demand is resisted except for those crimes which the liberal bureaucracy itself finds outrageous—"hate crimes," say, or date rape, or white-collar crime—although the general public is really worried about violent crime or street crime. (And with good reason. As Madsen Pirie has asked: "When was the last time you were afraid to go out at night in case you were embezzled?")

Although the American people may reasonably be confused about the logic of this process, they actively detest many applications of the liberal elite's morality, from racial quotas to feminizing the Citadel. So why have liberals had so much success in imposing their values upon the nation? Americans have been persuaded that their own deeply felt moral beliefs and long-held customs are merely the preferences of a class or an ethnic group with no binding force upon the many ethnic and religious groups now inhabiting the territory we arbitrarily call the United States.

Which brings us to the third area of policy: namely, cultural or identity politics, or the national question. If you listen to liberals for only a few moments, you are likely to hear the tripartite lament: racist, sexist, homophobic. These words accurately convey the elite's basic hostility to the American people—or, to be more precise, to the American majority. For, as the phrase implies, there are others around who are the victims of the people's racism, sexism, and homophobia—namely, racial, ethnic, and sexual minorities and feminists.

"Surely you can earn more than this. Someone's *got to support Medicare and Social Security."*

The bureaucratic elite dislikes the American majority and wishes to protect its putative victims. It has invented various public policies to do so, notably affirmative action, and it has employed various governing bodies in this cause, notably the courts, the federal agencies, and those institutions of American democracy not directly accountable to the voters. But the master-key of its theory is the idea that there is no

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such thing as an American people at all. There is instead a multitude of American peoples whose conflicting interests need to be continually reconciled through the benign operation of the neutral bureaucratic arbiters in Washington. As Cokie Roberts so memorably put it: "To say that we want only non-professionals governing us is to show a basic disrespect for government, and though that sentiment may be popular, it is dangerous. We have nothing binding us together as a nation—no common ethnicity, history, religion, or even language—except the Constitution and the institutions it created."

Bertolt Brecht put the same point rather more wittily: "The people has lost the confidence of the government. So the government has decided to dissolve the people and elect a new one."

And that is the two-headed liberal instinct applied to American nationhood—dissolve the people and elect a new one. The initial process of dissolution goes by the name of multiculturalism—the theory that there is no such animal as an American but that Americans belong to different nations and cultures all sheltering under the umbrella of the Constitution and the principles of the Declaration of Independence. The utility of multiculturalism for the liberal elite, as Mrs. Roberts indiscreetly allowed, is to justify its own existence, role, and power. For, as Peter Brimelow has pointed out, a nation-state really has no need of a ruling elite to mediate its differences. A state in which people share the same cultural assumptions will have fewer differences to resolve than a multicultural society, and a state in which people speak the same language will be constantly resolving those differences in the conversation of democratic debate. That is a fair description of the American nation circa 1965—the country of the great American middle class that was forged from the unmeltable ethnics which began melting seriously after the Second World War.

THIS multi-ethnic but monocultural country had a social and political elite, to be sure, like all other countries; but by 1965 that elite did not feel itself to be distinct from the rest of society—let alone hostile to it, let alone a neutral arbiter between its component ethnicities, let alone carrying the burden of national unity on its Ivy League shoulders like some Atlas in khakis and loafers. But the New Class elite, which first infiltrated and then replaced the old ruling elite from the Sixties onward, did have a distinct self-consciousness and indeed a sense of mission. Here I would like to pay tribute to Irving Kristol, who identified this phenomenon in American life which I believe to be as important as the rise of the proletariat in the nineteenth century—a sign that Mr. Kristol's early Marxism was not a misspent youth.

The New Class's long march through the institutions since then has been impressive. It first established itself in the country's cultural institutions—the universities, the media, Hollywood; then it spread to the bureaucratic institutions of government and the courts; and finally it is extending its power to those institutions, such as the corporation and the military, which had remained redoubts of conservatism. Sometimes it plants its own agents inside such bodies—the personnel and public-affairs departments of most corporations are liberal and give liberal advice to timid CEOs; sometimes it enforces its will on nominally independent companies or colleges through the courts or bureaucratic regulation; and sometimes it compels recalcitrant groups to adopt New Class values, as the military has been compelled to adopt feminist standards in military training.

And since the New Class was hostile to the mores of the nation it sought to rule, it followed that blind but infallible instinct which decreed: the first step toward ruling America is to divide it. The New Class had to create a multicultural America. This it has set about doing by a series of interwoven policies: bilingualism in the schools which fosters linguistic ghettoes, damages the economic prospects of ethnic minorities, and generally encourages the maintenance of separatist ethnic identities; opposition to entrenching English as the official language with a privileged position in law and custom; a teaching of history that downplays the central story and heroes of the American Republic, emphasizes the grievances of minorities, and paints a false picture of an America that was multicultural from 1776 onward; a system of race and gender quotas extending to recent immigrants from "protected classes" that has manifestly aggravated ill-feeling between the races and given people economic incentives to choose an "ethnic" identity over an American one; and a set of arbitrary rules governing immigration policy that have brought into the country large numbers of people who speak different languages and embrace different cultural traditions—with the result that multiculturalism has been given an entirely unwarranted plausibility in the public mind.

The aim of this nexus of policies is to shape a society composed of culturally distinct ethnicities—what Horace Kallen, an early multiculturalist, called "a federation of nationalities." The New Class, having divided these American tribes, will govern them by mediating their disputes and transferring resources from one group to another in order to ensure equal outcomes and social harmony—rather as the handful of young men from Oxford in the Indian Civil Service governed six hundred million Indians of various sects and religions in the last century. Of course, the reality is less harmonious than the image. Race-conscious policies make people conscious of race, the policy of divide-and-rule sometimes requires divisiveness, and social harmony takes a hit. We got a flavor of this in the recent internal Democratic National Committee memo recommending that criticism of the Clinton–Gore fundraising scandal should be denounced in turn as anti-Asian. Doubtless some New Class elitist in the DNC reluctantly calculated that you sometimes have to go in for that kind of thing when you are governing benighted heathens in the cramping conditions of a constitutional democracy.

And here we finally reach the Utopia of the title. For what is being pursued here is a truly utopian idea—creating the first democratic multicultural society in history. The Tory philosopher Michael Oakeshott was fond of citing the Tower of Babel as the ultimate symbol of utopian politics. But the project of a democratic multicultural America improves upon the Tower of Babel in that its advocates, unlike the builders of Babel, actually *intend* that everyone

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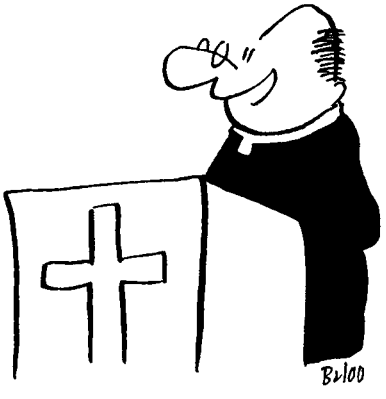
should end up speaking different languages. Where the Bible sees a rebuke to hubris, they embrace a social ideal.

America is not, however, the sole case of such a project. Throughout the advanced world, politics now consists largely of a liberal New Class seeking to extend its control of society by law and regulation while emancipating itself from democratic accountability by moving decisions from elected bodies to judicial or bureaucratic ones shaped by its values. The most extreme version of this seeks to dissolve the democratic nation altogether and replace it with a heterogeneous electorate divided by race, ethnicity, culture, and, above all, language. In the U.S., the New Class seeks to splinter a single nation into a multiplicity of ethnic groups while maintaining a single centralized government; in Europe it seeks to amalgamate several historic nations into a multicultural federation under a single centralized government. In both cases, however, the result is the same: what Ambrose Evans-Pritchard has described as "a polyethnic federation administered by a single ruling class."

Long before now, therefore, we should have seen a strong conservative reaction to this latest utopian experiment. Conservatism is, after all, reactionary in the literal, non-pejorative sense. It represents the reaction of the solid citizens of society against dangerous social experiments. Edmund Burke's *Reflections* was the first great expression of such conservative reaction in modern times. The West's containment of Bolshevism extending over seventy years was the second such response. Where is the sustained critical response of American conservatism, intellectuals and politicians, to this latest impulse from the depths of Utopia? To be sure, there have been individual scouts and privateers, firing back or infiltrating the enemy camp to return with stories of libraries sacked, scholars executed, and Visigoths billeted with reluctant citizens—Gertrude Himmelfarb, John Fonte, Hilton Kramer, David Horowitz, Arthur Schlesinger Jr. But they have been few in number even among conservative or moderate liberal intellectuals. And there has been a resounding tinkle from the political wing of conservatism. Indeed, whenever such topics as affirmative action or official English have emerged into the spotlight, we have witnessed an undignified wriggling from leaders like Newt Gingrich and Bob Dole as they sought unsuccessfully to reconcile a past statement of principle with their current opportunity to do something about it.

For the latest such evasion, examine the 13-point agenda issued recently by the GOP House leadership in an attempt to demonstrate that it was still there. This would be described as "listless" if it were not a laundry list. It is a catalogue of worthy aspirations—a stronger defense, local control of schools, a Balanced Budget Amendment—unconnected by any inspiring theme, and capable for the most part of being endorsed by President Clinton, or Dick Morris on a slow day. My spirit lifted briefly when I came to Point 13—ensuring the integrity of American elections—since this is a pressing necessity, it is in the GOP's own electoral interest, and furthermore it would represent one small battle in the war against devaluing American citizenship. But the fine print reveals that this is to be done by ensuring that "current laws are followed and enforced" when the problem is that current laws are designed to make vote fraud simple and easy. John Fund has shown, for instance, that the Justice Department opposes identity checks for election security as unconstitutional, whereas it requires those very same identity checks for selling cigarettes—a wonderful illustration of New Class priorities. But you will search the GOP statement in vain for any reversal of Motor Voter, for an endorsement of Charles Canady's bill to rein back federal quotas, or even for a mention of official English (supported by an 80–20 split in most polls but blocked in the Senate Judiciary Committee). These issues are simply out of bounds. Republicans are nervous of even discussing them. Indeed, given the current state of the GOP, isn't cloning sheep more or less redundant?

ONE explanation for this is offered in a recent issue of *Commentary* by David Gelernter: Republican leaders, and conservative leaders more generally, are themselves a junior branch of the New Class—what in the old Soviet jargon we might call "candidate-members" of the establishment. Here is Professor Gelernter: "Leading Republicans speak the elite's language as the Democrats do. ('Diversity is our strength,'—Newt Gingrich), honor and obey the basic tenets of orthodox feminism, are no more than Democrats to be hemmed in by traditional family structure. When VMI's future was on the line, you didn't see Republicans rallying to its side. A few complained; most shrugged." The same point is made in a different way by Peter Brimelow in his book *Alien Nation*. Citing Norman Podhoretz's concept of the "brutal bargain" made by immigrants who surrendered their original language and culture as the price of entry into the American dream, Mr. Brimelow invents the conceit of the "bland bargain" made by conservatives after 1945, whereby they were admitted into respectable politics provided that they abjured racism, nativism, isolationism, and all the other bigotries of which their parents had been allegedly guilty.



"The choir will return in a moment. But first, these messages . . . "

There is, of course, nothing wrong in principle with such a bargain—and for a long time there was nothing wrong in practice with it either. It smoothed the way for the development of the morally serious conservative movement that won the White House in 1980 and the Congress in 1994. The problem is that the definition of what is respectable in these matters and what is not—racism, nativism, etc.—lies in the hands of the cultural institutions, particularly the media, which are themselves in the hands of New Class liberals. And

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they are constantly expanding the definition of established sins like racism, as well as inventing new ones like sexism, so that conservative leaders in thrall to the "bland bargain" find themselves morally disarmed on issues where the American people are on their side. As long as they remain silent on such issues as bilingual education or immigration and concentrate on "safe" topics like balancing the budget, they will be treated as respectable figures. If they do not, they risk being demonized by their opponents and disowned by their colleagues. And, by and large, notwithstanding the occasional Buchanan, they have observed a prudent silence on the central political issue of the reshaping of their country along non-national lines. Their reward is that American conservatism today occupies its own modest principality in the Utopia being built by the New Class.

BUT this cynical interpretation is not the full story. Unfortunately, conservatives have a legitimate title to the property. For there are marked utopian strains in much American conservative thought. This is clearest in libertarianism, where writers like Murray Rothbard have been openly utopian, devising ideal anarchic societies in which, for instance, law and order would be maintained by the insurance companies. Of course, such imaginings are in part a heuristic device, intended to throw light on less remote possibilities here and now. But libertarianism in general neglects important aspects of the "meta-market," principally the cultural underpinnings needed to make capitalism work. These cultural factors occur in some societies and ethnic groups more than others, as Milton Friedman pointed out a few years ago in *Forbes* magazine. Asked if there might be such cultural prerequisites, he replied: "Oh, yes. For example, truthfulness. The success of Lebanon as a commercial entrepot was to a significant degree because the merchants' word could be trusted. It cut down transaction costs. It's a curious fact that capitalism developed and has really come to fruition in the English-speaking world. It hasn't really made the same progress even in Europe . . . I don't know why this is so, but the fact has to be admitted."

Less self-critical libertarians imagine that the market will spontaneously solve all the problems caused by the multiplication of cultures in modern America. And so, in a sense, it will—but at a price. The trust mentioned by Friedman is less evident in certain cultures, notably those of Latin America, and even when it exists within cultures, it is inevitably less reliable as a bridge between cultures. The market can solve this erosion of trust—and has done so in America by the spread of a meta-culture of legalism and the multiplication of lawyers. But just how satisfactory is that?

The same objection, if to a lesser extent, applies to the Hope, Growth, and Opportunity school of conservatism, a/k/a supply-siders, namely Jack Kemp, Steve Forbes, Jude Wanniski, and the *Wall Street Journal* editorial page. They too can be caricatured as utopians—"panacea men" who believe that tax cuts will cure the common cold. But the underlying strategy is a serious one: that a combination of low marginal tax rates and fixed exchange rates will raise the long-term rate of economic growth, which in turn will give "hope" to the various ethnic groups in America, who will thus cooperate with one another without needing the social cement of a common culture and a sense of common nationhood (or, of course, the liberals' cement of economic redistribution). The constituent parts of this theory also have merit. Social harmony is easier to achieve in times of prosperity than during depressions. Lowering marginal tax rates over the last two decades have both boosted the economy, as the supply-siders predicted, and restrained government by depriving it of revenue, as Milton Friedman proposed. And for those very reasons, a political strategy built around cutting taxes unified the maximum number of conservatives under Ronald Reagan's banner.

But important caveats have to be entered too. The first is that those conservatives who advocate tax cuts as a way of fueling the expansion of government services are doubly utopian. Their aim is undesirable and, fortunately, unachievable: tax cuts produce an actual increase in revenue only if the rates are extremely high (according to Alan Walters's calculation, at Swedish levels of 80 per cent or thereabouts). And while tax cuts remain an important part of any conservative message, relying on them as the main element in a political strategy is equally unrealistic. They are inevitably less appealing to the voters in the circumstances of today than in 1980, when the top marginal rate was 70 per cent and the economy plainly needed a strong cure for a misery index that was in the mid 20s.

It is on fixed exchange rates, however, where the utopianism of the opportunity conservatives really reveals itself. For fixed exchange rates always break down in the end—and they do so for a significant reason. The pre-1914 Gold Standard lasted as long as it did because it was embedded in the moral conscience of Victorian England. It was a cultural symbol—"as good as gold"—as well as a financial policy. Those who understood how it worked thought it would be a sin to go off gold, and those who didn't thought it would be literally impossible. Lest you think I exaggerate, consider the British financial crisis of 1931 when the Labour government fell from office in a failed attempt to maintain the pound at its pre-war value in gold. When the Tories came in, they promptly floated the pound. On hearing the news, Sidney Webb, who had been a Labour cabinet minister, remarked: "They never told us we could do that."

Well, everybody knows now. Furthermore, fixed exchange rates are not embedded in the American financial conscience as a shibboleth requiring unquestioned obedience. (Is anything?) So it is highly uncertain that a policy reliant on a fixed rate would be sustained if times got bad and the price for its maintenance was sky-high interest rates and rising unemployment. (Compare the 1992 collapse of the Exchange Rate Mechanism in Europe, which occurred despite interest rates that, in the case of Sweden, reached 500 per cent at one point.) Fixed exchange rates are not the same thing as stable money. Indeed, they tend to destabilize domestic monetary policy. My own far-from-expert instinct in these matters is to place greater trust in Hayek's vision of competing currencies, which would give no single government a monopoly over my economic prospects.

Let us suppose, however, that fixed exchange rates and

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tax cuts will produce the best available economic outcome. It still requires a large leap of faith to believe that they will significantly raise the long-term rate of economic growth. A multitude of social and economic factors go into determining this rate, which has heretofore proved not very responsive to policy and even hard to measure accurately at times. The aphorism that it is not in mortals to command success seems to apply with special force to Treasury secretaries. And even if higher growth were to be achieved, can we be sure that it would produce social harmony? Economic growth generally rewards different groups unequally, with some groups falling behind in times of rising prosperity. If those groups were already cut off from most Americans by language and culture, this differential prosperity might only aggravate their grievances. Let us recall that the 1905 revolution in Russia took place after forty years of dramatic economic advance. The lesson seems to be that whatever economic policy we favor, we cannot rely exclusively on it to solve the problems of ethnic distrust and social disintegration that other policies are fostering. We must deal with these problems directly.

But there is a third utopian obstacle to such directness: namely, the neoconservative belief that America is not a country, but an idea—a "credal nation" held together not by ethnic links, cultural sympathies, or shared historical memories, but by conscious subscription to the liberal political ideas outlined in the Declaration of Independence and entrenched in the Constitution. Because being an American is a matter of believing these ideas, the country is thought to be capable of absorbing and assimilating people from different cultures in limitless numbers. America is the first universal nation, in Ben Wattenberg's phrase, and everyone in the world is a potential American.

A warning that the nation here described is less America than Utopia is sounded when we look at some of its supporters. The anti-American European Left, having been disappointed by one Communist utopia after another from Cuba to North Korea, now hails America as the last best hope of mankind. For the U.S. allegedly shows that, despite the failure of ideological states like the Soviet Union, a nation does not require the unbidden loyalties of culture and ethnicity, but can be constructed on the foundations of ideology, conscious political choice, and even the availability of welfare benefits.

SUPPORT from the Left does not, of course, conclusively disprove the neoconservative view—though it should give us pause. As it happens, however, there are substantial conservative objections to it:

It is incoherent. If America really were reduced to liberal political ideas, that would make it impossible to distinguish Americans from liberal-minded foreigners. Which is absurd. What is not absurd but worrying is the potential for intolerance embedded in this ostensibly liberal concept, since it casts doubt on the patriotism of anti-liberal Americans (who now apparently include contributors to *First Things*).

It is historically false. As John Jay pointed out in *The Federalist Papers*, the people who wrested their independence in 1776 were not a heterogeneous multitude united by political ideas. They were one people with their own language, culture, laws, and institutions. Immigrants subsequently arrived in the U.S., but they then assimilated to this English-speaking American culture. They also enriched it—and membership in this common culture, which encompasses all the nation's constituent ethnic groups, is currently the best definition of being an American. The principles of the Declaration are the conscious political distillation of this culture, but not the whole and sum of it.

It is practically false. Opinion experiments have shown that many ordinary Americans, if stopped on the street and read passages from America's central political documents, will indignantly reject the ideas expressed there. Are they bad Americans? Of course not; but they are not political theorists either. Shaped by America's culture, they experience liberty and equality not as abstract political ideas but as lived experiences, and so they say what they think—not what they were taught long ago in a dull civics lesson.

Above all, it offers no defense against the New Class utopia of a multiculturalist America. Indeed, America-as-an-idea is a carrier of multiculturalism. If Americans are united not by a common culture and a sense of common nationhood, but merely by liberal political ideas, then there is no reason why traditional American culture should be "privileged" as the culture of the entire American people. It would merely be the culture (and language, and customs, etc.) of a particular ethnic group—one among many competing for attention and respect in the public square. And all that would be required of an ethnic culture seeking equal public expression (and protection) in schools, the voting booth, the workplace, etc. would be that it conform broadly to the liberal political ideas of the Declaration. But these ideas would be increasingly deprived of the cultural soil in which they grew and which gave them meaning in political debate, court decisions, and local customs. They would then be increasingly defined by the courts so as to reconcile them with New Class values—e.g., the equal status of all cultures except where one clashes with feminism. Multiculturalism would be advanced rather than restrained.

The end result would be the Tower of Babel mentioned above—as the mass immigration supported by neoconservatives continued, and as the assimilation sought by them gradually became meaningless in a country as marked by cultural and linguistic separatism as an Ivy League campus today. Were not similar predictions made in the early years of this century disproved by the rise of the strong American nation with a sense of common destiny that won the Cold War? Certainly. But immigration was sharply restricted in the early 1920s. For practical purposes, there was an immigration "pause" between 1925 and 1965—after which the New Class emerged and began its long march to Utopia. Neoconservatives thus find themselves hiring the bricklayers for a Utopia which they oppose building.

A final symptom of utopianism is more worrying than all the rest because it may have ordinary Americans, not just Republican politicians and conservative ideologues, in its grip. On the evening of Sen. Dole's acceptance speech, Bill Kristol was giving his judgment of it on television. He

(Continues on page 80)

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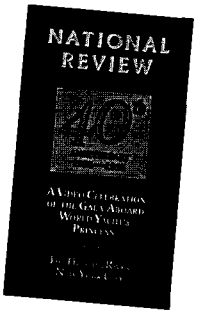

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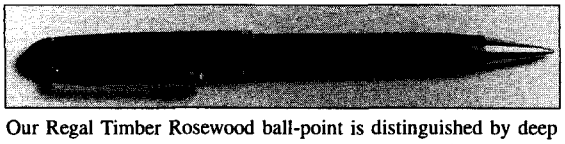

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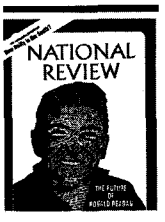

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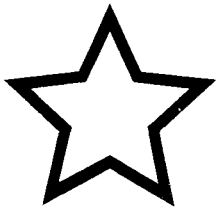

THE PRESIDENT

BEIJING

March 30, 1997

Salutations, Comrade!

I hope that this letter finds you in good health, and that your trade mission has resulted in the sale of many Silkworm missiles, and the purchase of many battleships, as we strive to improve China's peacemaking abilities.

It is especially comforting for me, old friend, to have such an ally as you. It seems only yesterday that you sentenced me to a May 5th collective in Urumqi! Who could forget the surprise on your face when, at the close of the Cultural Revolution, it was I who was sentencing you to hard labor—I who moved into your country house! Yes, old friend, we were crazy when we were young, children of the Sixties—once radicals, now you a respected trade minister, and me president. Who knew?

In Beijing, we have had two visits from American leaders—my first chance to show the world what an influential president I am. Of course, technically, I am second in command to Premier Li Peng, but Li has been incredibly gracious to me and Mrs. Jiang—we are truly co-premiers. He's gregarious, I'm more stiff; he can't turn down a Hennessey-and-Seven-Up, I'm strictly a tea-drinker; he ordered tanks into Tiananmen Square, I suggested a gas attack.

And yet, I was apprehensive about Gore's visit: after all, wasn't it he who denounced George Bush for "drinking champagne toasts with the butchers in Beijing"? And aren't we currently embroiled in a tangled scandal involving trade and bribery (two things that the Americans, oddly, differentiate)?

"Relax, Grasshopper," Premier Li said to me as he lit a cigarette. And was he ever right!

Upon Mr. Gore's arrival, after the traditional trip to the Great Wall, there was a press conference ("photo op" as Deng used to call them) with Mr. and Mrs. Gore, me, and Li. There was a good deal of tension—mostly between Mr. Gore and the press.

"Aren't you a hypocrite?" they asked the poor man. And, "What about the Lippo group?" and "what about the campaign contributions?" He was dogged from all sides until he turned to Premier Li, and trying to show toughness to the press, he asked insolently, "Premier Li, when are you going to open your markets to American products? What steps are you taking to buy more American things?"

There was an awkward silence. I was stymied. But Li simply shrugged, lit a cigarette, and said, "You want us to buy more American things? We've already bought a great many as it is—we have a president and a vice president, assorted senators and congressmen. But I assure you, Mr. Gore, that we are taking steps to purchase more governors, more mayors, and more state assemblymen."

"Oh," Mr. Gore said.

"Cheers!" Premier Li replied, and in a flash, they were clinking glasses of champagne-and-orange-soda.

"Nicely done, Wise Leader," I said later that night, clinking my Pu Yer tea to Li's highball glass of Courvoisier-and-Diet-Pepsi. "But what about the next visitor? What shall we do with Mr. Newt Gingrich?

Premier Li chuckled a bit. He lit another cigarette. "As Chairman Mao said many times, 'It ain't over 'til it's over.' Young Jiang, we shall do nothing. He will attempt to annoy us with some display of insolence—inviting a bishop to dinner, say, or wondering aloud why there are so few female infants—and do you know how we will respond?"

I had to admit that I was stumped.

Premier Li smiled. "We will turn to the president of Boeing, or Boise-Cascade, or Nike, or IBM, or Unocal, or Freeport-McMoRan and we will say, 'More champagne?'" And he lit another cigarette.

"You see, Grasshopper," he said as he lit another cigarette, "neither Gore nor Gingrich can ever do much damage to us. So why fear them?"

"Who can, Dear Leader?" I asked.

"There is one man we must fear. One man we must do everything we can to destroy."

"And who is that?"

Li Peng took a long drag. "That man," he said slowly, "is Congressman Richard Gephardt."

"But why him?" I asked. "Is he an arch-capitalist tool of the corporate state?"

"No, actually, he's a Communist like us. Well, not exactly like us—we're tolerant of a little free enterprise, after all—but as Mao used to say, 'You always hurt the one you love.' Watch him, Grasshopper." And he lit another cigarette.

The man has much to teach. And he will live long enough to teach it. Unlike Deng, Premier Li smokes only Camel Filters.

As ever,

Jiang

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BOOKS, ARTS & MANNERS

South Mouth: Why Liberals Hate Dixie

FLORENCE KING

IN 1906, Varina Howell Davis, widow of Confederate President Jefferson Davis, died in New York. She had moved there for financial reasons after her husband's death in 1889. Needing to earn her living but reluctant to embarrass her fellow Mississippians by doing it in their midst, she accepted an offer from her cousin's husband, Joseph Pulitzer, to review books for his paper.

Now that New York Gov. George Pataki has ripped the Georgia state flag from the Albany capitol, it is instructive to learn how an earlier New York responded to the passing of the First Lady of the Confederacy.

Her funeral, described in Gerry Van der Heuvel's excellent biography, stopped traffic:

> New York honored Varina without any prompting. . . . The mayor sent an escort of mounted police to accompany her body to the station, where it was placed aboard a special train [to Richmond]. The casket was draped in the Confederate flag. A military band marched before the hearse playing "Dixie," "Maryland, My Maryland," and "The Bonnie Blue Flag." . . . General Frederick Grant, son of the Union general-in-chief, ordered a company of artillery from Governors Island to escort the cortège. This was the first time in history federal troops had accorded this honor to a woman.

It is a commentary on our times that this passage could serve as a checklist of all the things that are now in the process of being banned.

Attitudes were different in 1906. Back then, the North held the Old Confederacy in high esteem. The halcyon days of Southern good repute had begun almost immediately after the Civil War. The image-makers were Union veterans, whose stories of Confederate valor spread respect for the former enemy at a time when Americans invested the good loser with nobility and the martial grand gesture stirred every schoolboy's heart.

By the end of the nineteenth century memories were fading and veterans were dying off, but the South won the country's admiration again in 1898 when war with Spain broke out. Southerners enlisted in droves, earning ardent tributes to their patriotism. The spirit of 1898, when Northern and Southern men fought side by side under the American flag for the first time since the Mexican War, lingered into the twentieth century and explains the send-off New York gave Varina Davis.

Frederick H. Carlson

The era of good feeling ended when America contracted South Mouth, a recurring infection that causes its sufferers to spout criticism, drip invective, ooze sanctimony, and chew rugs.

It began in 1925 with the Scopes "Monkey Trial" in Dayton, Tennessee, when fundamentalist Christians succeeded in banning the teaching of evolution. Liberal intellectuals, who had caught Midwest Mouth when Sinclair Lewis published *Main Street* and *Babbitt* a few years earlier, now had a whole Southful of Bible-quoting hicks to make fun of.

Once the Depression and the New Deal got underway, South Mouth turned into a pandemic with something for every taste. Communists had lynching, socialists had sharecropping, unions had textile barons, social-workers had Appalachia ("the South's South"), political scientists had Huey Long, geneticists had the novels of Erskine Caldwell, liberals had segregation, and Eleanor Roosevelt had everything.

During World War II, race riots in Detroit and Chicago were blamed on Southerners who had moved North. In the Fifties the South was constantly reminded that "the eyes of the world" were trained on the school integration struggle, and in the Sixties that its response to the civil-rights movement was being tried in "the court of world opinion"—lofty threats that South Mouth was going global.

The Seventies seemed to hold out hope, but Southerners who thought the election of Jimmy Carter had any meaning beyond Watergate were soon disabused. In deference to the new President, the media exchanged malignant South Mouth for benign South Mouth.

It showed in their mantralike repetition of the false claim that Carter was "the first Southern President since the Civil War." Woodrow Wilson was born in Staunton, Virginia, in 1856 and grew up in Georgia, making him the first and only President to lose his American citizenship, but that pales beside his other credentials. Wilson, after all, was president of Princeton and governor of New Jersey, which

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proves that he was polished and urbane and hence not a "real" Southerner like Jimmy Carter.

South Mouth eased up when the Left discovered multiculturalism. Beginning in the Eighties, the South was absorbed into broader categories of villainy such as "Eurocentrism," "Dead White Males," and "angry white men." At last Southerners and ethnic Catholics got a chance to bond; now we were all Europeans together.

Evidently the multiculturalists just realized their error, because South Mouth is back.

A suspicious suddenness surrounds the current outbreak. It started less than a year ago when the Citadel lost its court battle over admitting women and the decision spilled over onto the Virginia Military Institute. The defeat of these two bastions of everything Southern seemed to send the Left into a foaming frenzy.

On a single day in February, the front page of the *Washington Times* contained South Carolina's Confederate flag fight, the Georgia–Pataki flag fight, the Maryland Sons of the Confederacy flag fight—and something new. As if the forces of sensitivity had suddenly realized that flags don't weigh much, a group of blacks in Walterboro, South Carolina, demanded that the town move the Confederate statue.

While the flag fights raged, the state song crisis struck. For more than twenty years now, "Carry Me Back to Ol' Virginny" has been played but not sung because it contains the words "darky" and "old massa." The legislature had always hoped to substitute new lyrics, but that idea collapsed recently when some blacks complained that the tune now upsets them: they can still hear the words in their heads even if nobody sings them. That did it. After years of procrastination, the legislature suddenly—i.e., while the flag fights raged—voted to banish the song entirely.

The very next day, Maryland's song came under attack. The PC patrol considers this one a twofer. Its tune is that of a Christmas carol, "O Tannenbaum," and its lyrics are an incitement to secession: "From shore to shore, from creek to creek, Potomac calls to Chesapeake, 'tis time to give the rebel shriek, Maryland, my Maryland."

Before the week was out, Florida was debating whether to shelve Stephen Foster's "Old Folks at Home."

I have a hunch that this latest outbreak of South Mouth was triggered in part by the implications of the Citadel–VMI decision. Feminists were coming awfully close to turning the Land of Racism into the Land of Sexism, so blacks went on an ethnic-cleansing spree to keep the South's rap sheet unchanged.

THE larger causes of South Mouth have held steady over the years. If the South ever secedes again, she could get a good national motto out of the three qualities she embodies that have made her the target of twentieth-century America's envious rage: Identity, Eccentricity, Complexity.

Identity: "Analysts are scared to death of Southerners," wrote Mississippi novelist Willie Morris. It's hard to have a fruitful session with someone who feels no need to explain himself. Why do you feel that way? "I just do." Why is it so important to you? "It just is." Why are you so angry? "I just am."

Often mistaken for stupidity, these responses reflect a granite sense of self powered by a value-control center of pre-set codes guaranteed to threaten the kind of people who attend alienation conferences.

Eccentricity: Get a Southerner talking and sooner or later he will claim to know somebody who rode a horse through a hotel lobby. This has been the *ne plus ultra* of what the South calls "colorful" behavior ever since mad, bad Sally Ward did it in Louisville in the 1840s. Other favorites include drinking in a cemetery—a staple of John Berendt's Savannah book, *Midnight in the Garden of Good and Evil*—and the kind of family incidents that non-Southerners keep quiet about. (I wrote a whole book about my family but didn't think I had said anything particularly unusual until "eccentric" turned up in all the reviews.)

If the South ever secedes again, she could get a good national motto out of the three qualities that have made her the target of twentieth-century America's envious rage: Identity, Eccentricity, Complexity.

The South cherishes her eccentrics as Italy cherishes her singers and France her lovers. I remember one called the "Left-Turn Lady" for her habit of making left turns from the right lane. She didn't do it by mistake; it was just the way she liked to make left turns. She caused several collisions but nobody ever did anything about her. Our streets would have been safer if her license had been lifted, but then we wouldn't have had a Left-Turn Lady. She was ours, by God.

"Eccentricity," wrote John Stuart Mill, "has always abounded when and where strength of character has abounded; and the amount of eccentricity in a society has generally been proportional to the amount of genius, mental vigor, and moral courage which it contained."

Big Brother and the Nanny State hate eccentrics. They're too hard to control and they identify with aristocrats.

Complexity: "The Gothic Mall: Conflict and Duality in the New South" is the kind of topic Southern writers are invited to tackle in panel discussions. A whiff of attraction–repulsion always hangs over these gatherings, emerging full-force in the question period when a Yankee graduate student asks, "Are you presently tormented by anything, and if so, what?"

America likes simple open personalities who inspire instant childlike trust. We used to call them "straight shooters"; now we use the computer-graphics term WYSIWYG—"what you see is what you get." WYSIWYGs never shop at the Gothic mall. Southerners, on the other hand, must constantly be explained. Our warring traits—manners and mayhem, for instance—and our tolerance for self-contradiction drive observers to distraction.

"What are we to make of Thomas Jefferson?" asks Kenneth Auchincloss in *Newsweek*. The question saturated the media in February in conjunction with Ken Burns's PBS documentary and the publication of a new biography, *American Sphinx*, by

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Joseph J. Ellis, whose reviews have featured "contradiction," "puzzle," "conundrum," "enigma," and "labyrinth."

Jefferson died for the second time in February, a victim of "shaken Southerner syndrome." Like a distraught au pair tending a baby who has destroyed her nerves, America picked him up by his lace jabot and demanded, "How could you believe in liberty and equality and still own slaves?"

If he answered us he might say, "I just could."

If you are wondering where Bill Clinton fits into all of this, wonder no more. He doesn't. Oakland has no *there* and Clinton has no *from*. This is the "what it is about Clinton" that people can't put their finger on: he doesn't seem Southern. His desperate need for the approval of others has robbed him of identity; his compulsion to succeed has turned eccentricity into a third rail (what Carolina-born David Brinkley meant when he called him "boring"); and his substitute for complexity is calculated confusion. On a scale of mottos he assays out at Fluidity, Conformity, and Flux.

As we look to the future of America's ethnic-cleansing movement we see environmentalists doing their best to spread West Mouth, but at the moment it's South Mouth that ought to worry people. Anyone who is now neutral on the subject may find himself uttering a new version of a famous apologia:

"They came for the Confederate flags but I had none, so I did nothing. Then they came for the Confederate statues, but I had never even seen one, so I did nothing. Next they came for the state songs, but I didn't even know what my state song was, so I did nothing. Now they've come for me, and there are no Southerners left to be Europeans with." □

The Passing of the Patrician South

REID BUCKLEY

AMONG the characteristics of a patrician society are reverence for tradition, a prickly sense of honor, pride of family, disdain for riches, and a tolerance for—a glorying in—eccentricity.

On these five counts the sorrowful conclusion must be that the South is becoming less itself with each passing day.

The difference between the Yankee and Southern nations used to be as dramatic as stopping at a gas station in the Alleghenies and again for a fill-up somewhere below Baltimore; between the greasy-locked lout across the Susquehanna who churlishly stuffed pump nozzle into gas funnel without deigning a spoken grunt beyond "Fill 'er up?" and the affable Chesapeake Bay native who chatted while the gas pelted into the tank, "Fine evenin, ain't it? You folks travelin far? My, that's a fine-lookin . . . that's a caniche, ain't it? My ont had one. Smart! That dog could tell you when the mailbox was full and when it warn't wuth the trouble to look inside." And so forth until the cap was screwed carefully back on, change made, and many thanks and wishes for a safe journey extended.

A self-service pump stands there today.

For the past quarter-century I have called Camden, South Carolina, my home. Our family ties to the town go back nearly three-score years. Camden is the oldest inland city in the state, the head of navigation, rich in its Revolutionary, Mexican, and Civil War history. Founded in 1737 by Col. James Kershaw, the hamlet prospered and, though populated by as tough and resilient a frontier breed as any in the lore of this New World, grew in civility. Some attribute this civility to the influence of the French planter sons from Charleston, but it is as easily attributable to an innate gentility that continues to distinguish 10th- and 11th-generation descendants of the pioneer Boykins, Canteys, Langs, and Whitakers. Traditions were quick in accreting and were at once cherished. Equal in importance to upholding the honor of name and family were good manners and a good-humored disdain for life and property. The second they held cheap, the first dear, and so risked it in deadly contests of honor.

Dueling was frequent. The story is told in the privately published *Historic Camden*, by Thomas J. Kirkland and Robert M. Kennedy (1926), of a meeting on the field of honor between Colonel James P. Dickinson and Major John Smart, described as crack shots. According to Kirkland–Kennedy, "Two fires were exchanged and neither hit. [Major] Smart being the challenger was therefore asked according to code rules: 'Are you satisfied?' 'Disgusted,' he replied—a response," the authors note, "whose jocularity . . . ended hostility."

A duel devastating to the town took place in 1881 between Colonels Cash and Shannon, the much-beloved Shannon being killed. The outcry induced the South Carolina legislature to incriminate dueling, which was probably a good thing, but the town of Camden was nevertheless sundered sixty years in the aftermath of the Cash–Shannon meeting, descendants of the two families declining to appear under the same roof until the wedding of my eldest sister, Aloïse, in 1941.

TO a Northerner, such ancient rifts are the stuff of cheap theater. Southerners are indeed open to the criticism of nurturing in the soul un-Christian antagonisms. We are narrow, provincial, and uncommonly prone to violence, and for these vices we are frequently despised.

Our long memories of the Civil War are similarly ridiculed by sophisticated folk, to whom the emotional attachment to a dryrotted lost cause is incomprehensible. But this is because there is no Yankee breed surviving from that bloody conflict in the sense that there exists still a Southern breed. No Yankee ever subsisted on chickenhead soup, nor, had he, would the alien inheritors of his sacrifice remember, or care. Waves of immigration have largely replaced the Northern stock of the 1860s. Not many New Yorkers or New Englanders or even, I venture, Ohioans claim descent from the Army of the Potomac, but seed of those who fought with Lee and Jackson in the Army of Northern Virginia abound. But this is passing.

There is a sharpening controversy in South Carolina over the flying of the Stars and Bars above the capitol dome. It has been simmering for at least 12 years and is now at boil. Blacks declare that to them the Stars and Bars is the banner of oppression. Remarkable about this dispute is—first—the ignorance of Southerners, white and black. Only in the past two or three years has the distinction been drawn on television and in the press between the Stars and Bars, the battle standard of the Confederacy, and the Confederacy's true emblem, the Bonnie Blue Flag. A primitive redneck element has captured the Stars and Bars and elevated it less in remembrance

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of the valor of the men who fought under its colors than in blatant display of their (the rednecks') desperate bigotry.

The second remarkable thing about the controversy is the diehard reluctance to take the flag down on the part of even educated white South Carolinians, betraying a loss of the aristocratic instinct. The dispute—it seems to me—is settled as simply as this. If I put up a sign that my neighbor finds offensive, common courtesy requires that I oblige his sensibilities.

But such civil and patrician responses are on their way out, as is the South Carolinian's indifference to money compared to family. Back in the late 1940s a pig-rich Yankee came to spend the winter months in Camden. He had a Cadillac driven by a black chauffeur. He bought himself a big house, fencing Thoroughbreds, and a kennel full of setters and pointers. He bought himself three thousand acres of choice quail range.

There are outfits in Atlanta and Birmingham and Charlotte that promise to deracinate Southern yuppies by suppressing their long vowels and native elocutions.

In those days the old Camden breed of people still defined the town's society. Poor they might be but hospitable to a fault; and one December morn this fellow was invited to stand for deer with the Boykin Hunt Club. After the second drive a picnic lunch was held in a forest glade along the Wateree River. The Yankee went up to Stu Boykin and proudly extended to him a brand-new Weatherby rifle. "Well, Stu," he said loudly, "what do you think of this?"

Stu Boykin took the rifle in his hands. One-eyed, tall, spare, and distinguished, Stu was a legendary shot. The Weatherby had been custom built. It probably cost more than most well-to-do Camdenites earned in a month. The stock was finely checkered and veneered with ivory and ebony. On either side of the action, intricate engravings depicted European stags locked in mortal combat and wild boars ripping their tusks at hounds dancing about them. The trigger was solid gold.

As Stu recounted the story, a dove was at that moment "loafing" across the clearing. He brought the stock of the rifle to his shoulder, swung the hooded head of the muzzle past the dove, and fired. The dove fell dead, decapitated.

"It's a nice gun," he observed, handing the rifle back to its stunned owner. Stu later remarked, "I couldn't have repeated that shot in a thousand years"; but the effect of his casual display of the blood quite knocked the stuffings out of the visitor, who within the year had sold his quail plantation, his dogs, his horses, and that big house, and was last seen being driven to the Seaboard railroad station by his (grinning) black chauffeur in the gleaming Cadillac, to board the Palmland Express back North.

Stu was a raconteur in a tradition that also wanes. He told the story of old man Lang and old man Cantey journeying to Charleston to buy slaves. This was along about the 1840s, when cotton was king. At the slave market there, Cantey and Lang were stunned to see an able-bodied sailor by the name of Dawson in chains. Dawson was an octoroon, intelligent, educated. "What are you doing here?" they asked him.

"I was shanghaied. They took me out to the harbor and put me in these chains."

"Well, what about your papers?"

"They're in Nigeria. You've got to help me."

"What do you expect *us* to do?"

"Get a lawyer and set me free."

They forthwith consulted a lawyer, but came back to Dawson with the discouraging news that nothing availed without his missing papers of manumission. He must be sold at auction with the other slaves.

"Then buy me," Dawson said promptly.

And so they did. It required all the money Lang and Cantey had for the purchase of field hands. They granted Dawson his freedom, of course. In gratitude, he agreed to oversee, one year for Mr. Cantey, the next for Mr. Lang, then again for Mr. Cantey, and so forth, alternating. "For nominal pay," Stu Boykin noted carefully.

Dawson was soon respected and loved by everybody. The years rolled by. One summer when he was working for Lang, dogs began attacking and killing Lang's sheep. Dawson suspected who the culprits were, because old man Cantey loved to course rabbits and owned a pack of greyhounds.

Dawson studied the situation and then one evening walked to Mr. Cantey's house (Cantey and Lang were adjacent neighbors), and said to him, "Your dogs is killing my master Mr. Lang's sheep."

"How do you know dogs are doing that?" Cantey replied gruffly.

"I seen them. I stayed up all night and watched them at it."

"Well, how do you know they are *my* dogs?" demanded Cantey.

"Because there ain't nobody in this county but you owns them rattailed, shadbellied, snipey-nosed sons-of-bitches," retorted Dawson, which Cantey agreed was the truth.

Getting back to the tale of the rich Yankee visitor: such devastating indifference to wealth and the amused attitude toward ostentation is being replaced by Mammon worship. A portrait photograph that caught my attention in a studio a few years ago explains the change best.

It was blown up to two feet by three and feet placed on an easel near the entrance. The subject was a honey-blond forty-year-old bimbo in full fox-hunting regalia, her shimmering hair gathered in a net beneath a velvet helmet, her effulgent bust and pinch-me waist accentuated by the snug fit of her jacket. Close under the muzzle, by the reins, she was holding a chestnut Thoroughbred, whose head, neck, and veined withers appeared in the picture. Protruding from the left of the frame was the silver hood of a Rolls, and behind that the marble front steps and soaring white pillars of a mansion in ante-Bellum style.

I inquired about the portrait. She was the wife of a doctor in Society Hill. A Southern boy, he had done well for himself; and he had had his wife's portrait taken surrounded by his other prized possessions, the symbols of his self-worth.

Nobody is christened "States Rights" any longer. The spectral shadows of the War of Northern Aggression fade fast. The patterns of speech and vocabulary are being coarsened. One evening I asked Whit Boykin, Stu Boykin's nephew and a great gentleman as well as a legendary wingshot, about a certain person in the town. He said mildly, "That fellow was bred by a buzzard and hatched by the sun." The man had cheated him in a land swap. Whit did not call his enemy a f—— bastard, nor use some other vulgarity in the modern idiom. But now there are outfits in Atlanta and Birmingham and Charlotte that promise to deracinate three-piece

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polyester-suited Southern yuppies by suppressing their long vowels and native elocutions.

Southern society is becoming vulgarized and—worse—standardized. When I grew up in Camden during the wartime 1940s, gas was strictly rationed. Dixie Boykin bought an elephant, ostensibly to plow his fields with, actually because it amused him to own an elephant.

One evening in the 1950s Mr. Leonard, Dixie's much feared Yankee employer, climbed into bed with him and demanded a sip from the bottle of precious 50-year-old Jack Daniels that Dixie was pouring himself a nightcap out of. Or so he recounted to my mother, who had observed at a Hunt Breakfast that he was looking poorly. My father remarked drily, "Mr. Leonard has been dead six months, Dixie."

"That's just it," cried Dixie. "He was so cold and clammy—like a fish on ice! He kept saying, 'Give me a sip of that, Dixie, it's been a long time since I had a sip of that.' "

"What did you do?" asked my mother, instantly concerned for Dixie's plight.

"Why, Aloïse, I went down to the kitchen and got a soup bowl and poured the whole half-bottle of that precious, precious whisky into it," he cried piteously.

"And did that work?"

"Oh, yes—there wasn't a drop left in the morning."

"But why a soup bowl, Dixie?" inquired my mother, puzzled. "I mean," she said, "why not a glass?"

"Oh, Aloïse," he replied, "don't you know? Ghosts don't drink. They laps."

They are all, all dead: Dixie, Whit, Stu. My beloved friend and quail-hunting companion Robert M. Kennedy III is dead also. During the Depression, when he was a young husband and father, and struggling with his cotton-warehouse business, a wealthy broker from New York, Weeks by name, came down to Camden to shoot with me. Mr. Weeks was an ardent bird hunter, and Bob had a wondrous bitch setter who the first morning pointed eleven coveys and that afternoon another six. Mr. Weeks said to him, "I'll give you $500 for that dog." Astounded, Bob said he would think it over.

Next morning they were hunting again, and Belle pointed nine coveys. Mr. Weeks said, "Have you thought it over?"

Bob Kennedy replied in his long, slow, deep baritone, "Yes sir. All night long. Tossed and turned. Didn't sleep a . . . wink. Kept asking myself, If I had $500, what would I do with it? What would I do with five . . . hundred . . . dollars?"

"Well?" asked Mr. Weeks. "What was your answer?"

Bob Kennedy replied, "I'd buy myself a good bird dog." □

The South's Past Imperfect

JEFFREY HART

THE appearance now of solid biographies of Robert Penn Warren and Cleanth Brooks testifies to the continuing importance of both men and calls again to mind the importance of what they thought and did. Though both grew up in the South, they were, in their temperaments, different kinds of Southerners. As Joseph Blotner demon-

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strates in his *Robert Penn Warren* (Random House, 585 pp., $35), Warren was the more expansive and tumultuous, extending himself into all areas of literature: short story, novel, poetry, criticism, biography, drama. His subjects, centrally, were history, power, and the depths of the heart.

Yet he also came together often with the more restrained and "classical" Cleanth Brooks. Vanderbilt undergraduates, Rhodes Scholars, men of letters, founders of the important *Southern Review*, they were often together in an attempt to define "the South": what it meant to poetry, but also to history, and what it might mean in the continuing present.

The importance of these new biographies may, indeed, lie in their providing an occasion to address a question that goes far beyond literature. That is the question of what the South and its history should mean to present-day Americans. To put it succinctly, is the South's past "usable"?

Both biographies are full of information and colorful anecdotes. In his valuable *Cleanth Brooks and the Rise of Modern Culture* (Virginia, 608 pp., $34.95), Mark Royden Winchell writes that Brooks "combined a kind heart and a tough mind more successfully than anyone I have ever met." This could also be said of Warren, with his personal grace and incisive intelligence. I would add that Brooks had the most impressive ability to *listen* that I've ever encountered. I'm sure that Warren shared this with him, since their common approach to literary criticism—the approach known as New Criticism—was at once simple and demanding. Its "method" was to subordinate the critic's personal ego to the poem or story he was commenting on, listen to it very carefully, and always respect the integrity of the object.

The new biographies tell us just as much, however, about the circles of colleagues among whom Brooks and Warren carved out their individual places. In assessing the Southern past, we will do well to recall the contributions—literary, cultural, and political—of those Southern intellectuals referred to as the Fugitives and Agrarians.

What concerned the Fugitives and the Agrarians? The former movement was almost entirely literary, while the latter was largely cultural and political. There was imaginative power in both groups, especially the Fugitives.

Mostly Vanderbilt undergraduates and young English instructors, the Fugitives began meeting informally in 1915 as a sort of philosophical discussion group, and from the beginning the dominant figure was John Crowe Ransom, an English instructor. By the time Ransom and Donald Davidson came back from the war, the focus of the group had changed decisively to literature, especially with the publication in 1919 of Ransom's *Poems about God*. Younger men (Allen Tate, Robert Penn Warren) joined the group as they arrived at Vanderbilt, and between 1922 and 1925 they published an important magazine of poetry called *The Fugitive*.

None of them was at the level of Eliot, Yeats, Frost, Pound, or Stevens (competition was stiff in those days), but many of their poems will last as long as poetry itself lasts. For example, here is Tate's Aeneas gazing forlornly at the Roman dome of the Capitol in Washington:

> *I stood in the rain, far from home at nightfall*
> *By the Potomac, the great dome lit the water,*
> *The city my blood had built I knew no more*
> *While the screech-owl whistled his new delight*
> *Consecutively dark.*

That is memorable. Much influenced by Vergil, Tate liked to use adjectival constructions to achieve a slowed and lapidary quality. Ransom, a bit more to my taste, is less Latinate, and as a poet certainly in the same class. Warren and Davidson are somewhere nearby too. (*The Fugitive Poets*, edited by William Pratt, is the best one-volume selection of the group.)

The dates of the Fugitive group are important: 1915–1928. They coincide with the peak of High Modernism in all the arts. Between 1922 and 1925, and leaving out much, the following appeared: *Ulysses*, *The Waste Land*, Pound's *Cantos*, Frost's *New Hampshire*, Yeats's *The Tower*, *The Sun Also Rises*, *The Great Gatsby*, *Harmonium*, *The Magic Mountain*, *The Sound and the Fury*, *The Counterfeiters*. In Nashville, very far from New York, London, and Paris, the young men discussed these great developments and studied them.

The High Modernist Renaissance was almost as impressive in literature as the original Renaissance was. What occasioned it? For one thing, I would guess, the experience of a collapsing bourgeois order drove these writers toward a culture of Art as a substitute order; the original Renaissance had stood in something of the same relationship to the Medieval order.

The Nashville group were rebels against, Fugitives from, the genteel Southern tradition of moonlight, magnolias, and Walter Scott. They wrote difficult, learned poems, often laced with irony and expressive of alienation. Tate's famous "Ode to the Confederate Dead" is a Southern *Waste Land*. Such poetry, and High Modernist poetry generally, because it was difficult required careful reading. Hence the New Criticism was developed, a spin-off from Modernism.

What Brooks did for this criticism was divest it of eccentricity and make it widely available as an approach for professors, students, and educated readers generally. In 1938 he and Robert Penn Warren published *Understanding Poetry*, which revolutionized classroom teaching. It should be re-read and prayed over by professors and their students. It sought to displace both an earlier emphasis on history and biography and a vague "sensitive" response, and it made reading the text central. Today it fights attempts to come to a poem with prefabricated ideological categories. Brooks's own prose was always lucid and courteous, and it wore its erudition lightly. (One recent place to sample his mode is the posthumously published *Community, Religion, and Literature* [Missouri, 1995].)

Of course the Fugitives were only part of a wider Southern literary Renaissance. There is some irony in the fact that Mencken had published his famous "Sahara of the Bozart" essay in 1917, declaring the South to be a desert of the arts. Even as he wrote, the convulsion was getting under way. It included the Fugitives, of course, but also Katherine Anne Porter, Eudora Welty, Carson McCullers, Andrew Lytle, Caroline Gordon, Erskine Caldwell, Stark Young, and by far the greatest of them all, the isolated genius William Faulkner. Under the editorship of Brooks and Warren, *The Southern Review* at Louisiana State University became perhaps the best literary quarterly ever to appear in the United States.

OBLIQUELY related to the Fugitives, but also very different, were the cultural/political Agrarians. They were hostile to capitalism and to the bourgeois world-view, and they tended to see the Civil War as arising out of cultural resistance to both. With the onset of the catastrophic Depression in 1929, the Agrarians began to resemble a political movement, even a nascent political party.

The energizers of the Southern Agrarian movement were

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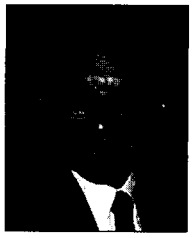
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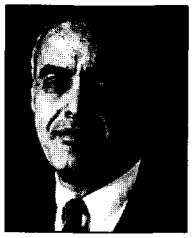
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By Ed Skimo

National Review Alaska Cruise Correspondent

(New York: April 3): The mad scramble has begun for the last (few!) available cabins on the ***National Review 1997 Alaska Cruise***, scheduled for this August 10-17 on Holland America's award-winning MS *Ryndam*.

The hundreds of foresighted subscribers who "beat the rush" by reserving cabin space weeks ago have guaranteed themselves seven glorious days and nights of conservative revelry with Bill Buckley, Milton Friedman, Robert Bork, Robert Novak, Dan Lungren, Pat Sajak, Gary Bauer, and *National Review*'s heralded "A Team"—John O'Sullivan, Kate O'Beirne, Rick Brookhiser, Ed Capano, and Dusty Rhodes—on the glorious waterways of "The Land of the Midnight Sun."

As for the hundreds who have *yet* to send in their application for this spectacular week, their opportunity to attend this once-in-a-lifetime cruise are—reports an informed source inside *NR*'s Office of Cruise Affairs— "narrowing fast": "over 200 cabins"—including scores of nearly-sold-out "verandah" staterooms—"have been reserved by *NR* subscribers, their friends, and family members, and calls continue to pour in to *NR*'s Cruise Information Hotline."

Add to that the fact—confirmed by The Cruise Authority and Peachtree Travel—that "each day brings yet another handful of reservations," and my source ominously warned (before hanging up to answer one of the incessantly ringing phones!) that "at this rate, *National Review*'s allotment of reserved staterooms will be sold out in a matter of weeks."

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Tate and Davidson. Two other Fugitives attached themselves less enthusiastically: Ransom and Warren. Cleanth Brooks was close to the movement, attended meetings and symposia, but did not contribute to *I'll Take My Stand* (1930), the principal result of the effort.

Tate and Davidson envisioned a directorate consisting of about 15 hard-core members who would formulate policy on social, economic, philosophical, and religious matters. They projected a daily newspaper, a weekly, and a quarterly. They enlisted sympathizers of many vaguely compatible viewpoints, and by 1933 there did exist a loosely organized network of more or less likeminded people. *I'll Take My Stand* was envisioned as a first statement preliminary to a much larger publishing and agitational effort.

Tate and Davidson were both hard-core, but very different. Davidson cherished the actual South of past and present with all its flaws and oddities. Tate, far more cosmopolitan and with connections in Paris, London, and New York, saw the South as a paradigm—very flawed—of a traditional society: hierarchical, agricultural, religious. By 1927 Ransom unfortunately had almost ceased to write poetry and had veered off into philosophy and religion, along with literary criticism; he had never been chauvinistically "Southern" anyway. "Red" Warren, after all from border-state and non-Confederate Kentucky, had his own perspective. Never settled was just what "South" was being defended: aristocratic Virginia or populist Mississippi; Charleston or Mobile; uplands or delta. There was even controversy within the core group over the title *I'll Take My Stand*. Tate and Warren both hated it, considering it provincial; they thought universal issues were at stake.

Not surprisingly, what was then called the Negro Problem caused trouble. Warren took it up in his notorious "Briar Patch" contribution, which Davidson, a hard-line segregationist, considered at best wishy-washy. Warren's essay advocated Negro equality but also social separateness, arguing that this would be best for both races. Davidson and the distinguished historian Frank Owsley, also a segregationist, wanted to reject the Warren essay. Herman Nixon, another good historian, wanted to fight for integration and later became an enthusiastic New Dealer.

Was the Old South a 'traditional' society, as we tend to assume? If not, then the usefulness of its past to conservatives must be seriously questioned.

Ransom was assigned to write the introduction to the volume, and to say the least it was difficult for him to boil all the different positions down into a coherent statement. He attacked industrialism as leading inevitably to Communism, a view shared only by Davidson. He thought authentic religion—which he himself lacked—could not survive industrialism, and that the alternative was a land-based society. (Ransom was drawn to an Old Testament God of "Thunder," and regarded the New Testament as a humanist falling-off, but did not believe in any God in the first place.) He thus tried to refine out a prescriptive idea of the South which often seems remote from the historic Southern actuality. Tate contributed a difficult essay that saw the Old South as essentially "European," but saddled with both rationalism and an unsatisfactory Protestantism.

A number of very germane questions remained up in the air. Was the Old South a usable past? If so, which Old South? The populists Davidson and Lytle looked to the yeoman past of subsistence farming. In contrast, Tate and Ransom looked to a more aristocratic and literary Old South.

Not surprisingly, the Agrarian movement, so far as practical politics was concerned, collapsed. It led to no political party of its own, and though it had some high-level sympathizers in the first Franklin Roosevelt Administration, the New Deal turned toward centralization, industrial stimulation, and large-scale federal projects—the antithesis of the Agrarian viewpoint.

As I said earlier, the Fugitive group was literary while the Agrarian alliance was cultural and political; yet bonds did exist between them. Ransom, Tate, Davidson, and Warren were prominent in both, and both groups depended for their cohesion on a shared Southernness. For all the differences among individuals—and some seem irreconcilable—and whatever the conception of the South various individuals appealed to, they all agreed on the distinctiveness of the South and they all considered the South valuable as history, metaphor, or myth.

I'll Take My Stand is still in print and still lives intellectually. It does so because out of its mishmash of viewpoints, outright contradictions, and some dubious historical assumptions, it is possible to refine some themes which retain moral and even political power. Some of its emphases transcend the issue of the historical Old South: for example, family, place, and religion. We are hearing a great deal about these today. The Agrarians celebrated the "leisure" of the Old South—to some considerable degree of course based on slavery. Today "leisure" includes the ability to walk in the park without being mugged, raped, or murdered, and that is certainly on the public mind. It also means swimming from a beach not polluted by oil spills or used as a receptacle for dumped garbage.

Other themes emerge in *I'll Take My Stand*, and some of these have been stressed by Eugene Genovese. The Southern tradition had a sense of human limitation and necessary imperfection. It was Old World in that sense, skeptical of utopias. It rejected the frenzy of getting and spending. One of the most foolishly neglected writers of our times, the late M. E. Bradford, an intellectual descendant of both the Fugitives and the Agrarians, put at the center of his work the idea of the "habitus," the "whole way of life," imperfect but viable, and, in his phrase, a "better guide than reason." These are all profoundly corrective ideas, coming from the idealization and refinement of the idea of the Old Confederacy.

It is my view that the Republican Party and the conservative movement should reflect on some of the meta-implications of *I'll Take My Stand*. The GOP at the present time is suffering grievously among the voters for its indifference—hostility?—to conservation and genuine environmental issues. In its habitual philistine way, the GOP is tone deaf to the tradition of Theodore Roosevelt (and James Buckley), and shows no interest in wildlife, forests, clean water, or clean beaches.

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Meditated upon, *I'll Take My Stand* is like a many-sided but flawed gem. It provokes discussion about what a desirable capitalism would look like, but it signally fails to address a question which is fundamental to its whole enterprise. Was the Old South, the "usable past" advocated by the book, really a "traditional" society, as we tend to assume? If not, then its usefulness to conservatives must be seriously questioned.

In a challenging, not to say impish, essay in his new collection *Drawn with the Sword: Reflections on the Civil War* (Oxford, 1996), James McPherson answers: Yes. He argues that in decisive respects the Old South was like southern and eastern Europe—agricultural, labor intensive, religious as a matter of habit, slow-paced, and "lazy."

Part of Europe, he argues, chiefly England, France, and Germany, was capitalist and industrializing, something new in history. In that sense there were two Europes, north and south, and two dis-United States, North and South.

About this argument there are a couple of things to say. First the new "revolutionary" systems of northern Europe proved in the long run to be much more stable socially and politically than the "traditional" societies to their south and east. And about the Old South there was something untraditional, and startlingly so. For it was the only social system in the Western world that rested upon slavery, a momentous difference.

Important Southern theoreticians during the 1850s argued that this system was indeed revolutionary and new. The Negro, they argued, was inferior and naturally suited to slavery, indeed was better off under it. These theoreticians even projected a tropical slave empire embracing Mexico, Central America, the Caribbean, and completing the geographical arc at Key West. During the 1850s, significant military probes were launched—with wide support not only from the planters, but from the press and ordinary people—against northern Mexico, Cuba, and Central America. A freebooter named William Walker even established a "Southern" regime in Nicaragua, with legal slavery and himself as president—but ended up before a firing squad.

All of this, of course, was both radical and absurd. Such a slave empire would have been hopeless militarily against the industrializing nations. It would have been a cotton-and-sugar resource cow, on the model of Saudi Arabia today. The powerful nations of northern Europe would have attacked it like sharks, divided it up, made it a cotton-and-sugar satellite.

Back within the Confederacy, the Southern system was inadequate economically and therefore militarily. The narrow bet made by Jefferson Davis and Robert E. Lee might have paid off. They knew the South could not prevail militarily but hoped that if Northern voters were sufficiently wearied, Lincoln might lose the 1864 election to "peace Democrats." But the Confederacy that might have emerged from this scenario could not have lasted ten years; European powers would have tried to muscle in, and the American national government would again have moved southward.

As it was, however, Atlanta fell in time to win the election for Lincoln. Sherman rushed through Georgia and turned northward through the Carolinas. Grant beat Lee from Spotsylvania to Cold Harbor and Petersburg. The only thing that saved what was left of the South—and much was left—was the timely surrender at Appomattox.

Is this, for conservatives, a usable past? In my view, in some ways it is, but in others not. Yet it is a question that should continue to be debated by conservatives, Northern and Southern alike. Is it too much to hope that two biographies of literary figures could provide the seeds for such a fruitful discussion? □

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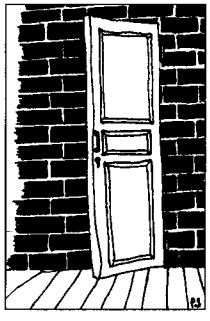
Return of the Native

THOMAS SOWELL

"HONEST" is the word that best characterizes *Out of America: A Black Man Confronts Africa*, by Keith Richburg. However, honesty seems like too homely a virtue to stress for a book that offers much knowledge and insight about Africa and about reactions to Africa among both black and white Americans. Unfortunately, just as common sense is not common, so honesty is a rare and startlingly, almost shocking, quality in a book dealing with race.

Out of America: A Black Man Confronts Africa, by Keith Richburg (New Republic/Basic, 257 pp., $24)

Keith Richburg is a black foreign correspondent for the *Washington Post* who spent three years in Africa, covering Somalia, Rwanda, and South Africa, among other places. Beginning his assignment in Africa as someone eager to see his new territory and the lands of his ancestors, Richburg ends up saying, "frankly, I want no part of it" and "Thank God my ancestor got out, because, now, I am not one of them."



In between are stories of hideous and indiscriminate atrocities, mass starvation, gross inefficiencies, and a pervasive and suffocating fog of lies. Among the cast of characters are African dictators and the thugs who keep them in power, guilty whites in the West who supply foreign aid, and visiting black American "leaders" who fawn over the despots and use double standards in judging black and white governments in Africa.

Running through all this are Richburg's accounts of his own agonizing and changing feelings as a black American. He confesses to being one of those who used their position in the media to propagandize for American intervention in Somalia and who then saw with their own eyes the tragedies that ensued. He ended up, he says, hating the Somalis "because they betrayed me" and hating himself "for having been so wrong, for setting myself up for the betrayal."

If Somalian intervention began with "the upbeat, feel-good atmosphere that surrounded those first days" and ended with the soldiers from the UN rescuers being killed and their bodies dragged through the streets, Rwanda was a horror from day one. Richburg's initiation included seeing bodies floating down a river, at a rate of one every minute or two—some corpses whole, some with missing limbs or missing heads.

"Here the militias wouldn't shoot you in the head, Somalia style," he said. "They would carve off your arm first and watch you bleed and scream in pain. Then, if you didn't pass out, they would chop off your leg, or maybe just a foot. If you were lucky, they might finish you off with a machete blow to the back of the head."

The chronicle of horrors goes on, including the AIDS epidemic and "the relative nonchalance about AIDS across Africa," where more than half the world's cases occur. Then there is the pervasive corruption, seething tribalism, and highly developed excuse-making, which blames all the continent's troubles on long-departed European imperialists, on a lack of natural resources, or on the failure of the outside world to help enough.

Reacting against all this, Richburg throws the excuses back in the face of Africans and of their apologists in the West. Why has imperialism not stopped Asian nations from rising economically? Why has a lack of natural resources not prevented Singapore from developing?

He reacted especially strongly to a meeting in Africa in which Jesse Jackson and other visiting blacks "heaped a nauseating outpouring of praise on some of Africa's most brutal and corrupt strongmen" in a display of "the complete ignorance about Africa among America's so-called black elite." Indeed, he suggests that there is considerable fantasy about America among those blacks who believe increasingly bizarre conspiracy theories and who "labeled me a traitor, working for the ubiquitous 'Them.'"

That this book comes from a black reporter for the liberal *Washington Post* is especially surprising and adds to its impact. Moreover, *Out of America* offers thoughtful insights as well as facts and outrage. Yet, because it represents its author's coverage of horrors, rather than a balanced survey of sub-Saharan Africa as a whole, the over all prospects for Africa may not be as unrelievedly hopeless as what emerges from this book, though even a balanced over all picture would still be appalling enough.

In narrowly economic terms, even though it is true that too many African nations had their standards of living fall below where they had been under European imperialists, still the 1980s and 1990s saw some turnarounds. The economies of Nigeria and Ghana, for example, began to grow after the statist regimes began to allow freer operation of the marketplace, often under heavy pressure from international aid agencies that finally stopped accepting excuses and starting insisting on performance.

Comparisons with Asia are less apt than comparisons with the Balkans would be, both historically and currently. The clearest parallels in sickening atrocities and blind ethnic hatreds are those between the Balkan wars and tribal warfare in Africa. But there are other parallels. Historically, both areas have been culturally fragmented by their geography, even though the geographic specifics have been quite different in the two regions. The resulting poverty and disunity of both regions likewise made both vulnerable to the outside world and sources of slaves—the Balkans supplying Europe and the Middle East with slaves for centuries before the first African was taken in bondage to the Western Hemisphere.

America's black elite displays a 'complete ignorance about Africa.'

Geographic handicaps do not merely limit economic opportunities or inhibit political consolidation, they limit the development of the people themselves by isolating them from one another and from the outside world. Such isolated

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peoples are almost invariably backward and often brutal, whether they are isolated in mountainous terrain or on small islands scattered across vast reaches of water or—as in sub-Saharan Africa—isolated by a painful combination of geographic handicaps, ranging from a dearth of navigable waterways to debilitating diseases that weakened men and made draft animals virtually impossible to use over large regions.

None of this is an apology for the current behavior of African leaders or African mobs or militias, though it is part of a causal explanation of the background from which such things have arisen. On the contrary, if historic and geographic handicaps are to be overcome, excuses must not be accepted, much less be allowed to guide policies. Above all, the fantasies which play such a large role in racial issues, whether in Africa or America, need to be challenged and realities faced. A book like *Out of America* can make a contribution to that process. □

Wayne's World

PETER COLLIER

ONE might not know it from his intelligently conceived and elegantly argued *Lincoln at Gettysburg*, but Garry Wills is a political pamphleteer by reflex, someone with a fatal attraction to the principles of the leftover Left. Despite the passing of the years and despite the fact that he was something of a conservative back then, Wills still has perfect pitch for the raucous intellectual tonalities of the Sixties—the belief that the American people are mired in false consciousness, the inclination to transform a minor moral blemish into a suppurating sore, and the conviction that consensus is a cover for conspiracy. No wonder Oliver Stone, in endorsing Wills's new book, calls him a "master thinker."

John Wayne's America: The Politics of Celebrity, by Garry Wills (Simon & Schuster, 380 pp., $26)

A punching bag for the Left at least since Ron Kovic's famous complaint, "I gave my dead dick for John Wayne," America's greatest film star is for Wills a target of opportunity. Yet *John Wayne's America* is no simple broadside. It comes with all the up-to-date critical ergonomics and the creased brow of Deep Thought. Wills believes that Wayne offers him a chance to get to the heart of the matter—America's peculiarly innocent malevolence.

He begins by noting that Wayne was no "murkily erotic object" like Madonna and Elvis. He was not a cult figure in the manner of Bogart or Brando, individuals who sought a screen presence that defined itself against the grain of authority. Rather Wayne *was* authority, a persona who "entangled all Americans, whether they knew it or not, in the peculiar definition he gave to 'being an American.'" Over the years, Wills asserts, Wayne became a more powerful presence in our national life even than Presidents: "Nixon had *policies* but beneath these policies were the *values* Wayne exemplified."

This is not a biography per se, Wills announces early on in a gesture that allows him to avoid the requirements of constructing a coherent life, while he retains the right to borrow the psychobabble of other works. (Wayne had a submissive mother, which accounts for the fact that he married a series of Latin women; his mythomania caused him to inflate his exploits as a college football player; and worst of all, he avoided serving in World War II, although he refought the war on screen for years to come.)

No, this is not a biography, it is "a biography of an idea." And the idea is that Wayne, a natural-born B-movie star, was made into something larger as a result of the efforts of great directors like Howard Hawks and John Ford, and in time that this something larger became larger than life. This allowed "Wayne" (whatever role he was playing) almost single-handedly to shoulder "the sense of imperial burden" that came into American life after World War II and tragically caused this country to acquiesce in the secret machinations by the CIA, the perversion of the FBI, the advent of loyalty oaths and security hearings, and the other sinister expediencies that led implacably to a Pax Americana with its well-known consequences. Wills appears to take seriously Eric Bentley's notion that Wayne was responsible for getting us into Vietnam.

To his credit, Wills appears to enjoy Wayne's movies even if he has contempt for Wayne himself. The better moments in *John Wayne's America* come along when the implausible and overdetermined thesis is put on hold momentarily by a discussion of the films. Wills's critical instincts yield a solid payoff, for instance, in his analysis of the odd triangular relationship between Wayne, his auteur John Ford, and the old Western star Harry Carey, and in his insights into the way in which Wayne "created an entire language of body signals" that defined the Western hero.

Wills correctly sees *The Sands of Iwo Jima* as a pivotal film. It contains the moment when Wayne more or less formally adopted the persona he had accidentally stumbled into a few years earlier when playing Tom Dunston in *Red River*: "He is a lonely man burdened with responsibility. His wife or lover he has lost to death, divorce, or estrangement—and with her he has lost potential or actual sons (daughters don't count). This character will find in a follower the son he never had."

Garry Wills appears to take seriously Eric Bentley's notion that John Wayne was responsible for getting us into Vietnam.

But at times the close readings of the individual films get a little too close for comfort. Wills flirts with race–class–gender stuff, does some deconstructive gymnastics, and engages in enough trendy semiotics to make him seem a little like an anxious assistant professor huffing and puffing as he "unpacks the text" in an attempt to convince senior colleagues that he is PC enough to get tenure. Consider Wills's analysis of a barfight in *She Wore a Yellow Ribbon*. Victor McLaglen, the sergeant-major sidekick in the cavalry movies, stands

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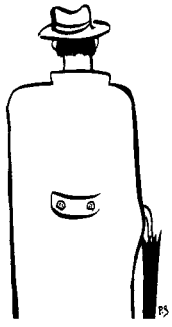
off seven men and is quelled only by the authoritative voice of an officer's wife. This, says Wills, "anticipates" a scene in Fellini's *Amarcord* where a crazed man in a tree ignores all efforts to get him down until a dwarfish nun tells him to descend.

Indeed every time he finds himself appreciating the Wayne *oeuvre* a little too much, Wills quickly administers an ideological emetic. After discussing the cavalry trilogy of *Fort Apache*, *She Wore a Yellow Ribbon*, and *Rio Grande*, for instance, he gets down to the reductionist business of showing how Ford's mythologized frontier is merely a scrim of Cold War hysteria: "Beautifully crafted as *Rio Grande* is simply as a story, it also resonated with Cold War concerns, with the duties of empire when the burden of the free world had a global mission that refused to observe national borders."



Such imperial propaganda was not really envisioned by Wayne, of course, whom Wills snidely says "had no interesting ideas in private life," but by his directors. The latter saw the implications of what Wayne had become. Wills drubs John Ford personally as a bitter and controlling individual. And, because Wills maintains allegiance to an era that believes that the personal is political, he drubs Ford politically as well. No kneejerk conservative like Wayne, Ford, who was once attracted to the cause of loyalists in Spain, was a liberal who came home from World War II (where Wills believes he was corrupted by OSS chief Bill Donovan) and joined up with other liberals to found Americans for Democratic Action. The ADA then attacked the candidacy of Henry Wallace (Wills says they thought he was "soft on Communism," whereas the ADA actually recognized the balder truth that Wallace was a one-man Communist front) and put the issue of internal subversion on the front burner of American politics.

Wills, of course, believes that what these "Cold War liberals" really did was set the table for the Great Fear. By leaning on Truman to get tough on the Soviets and then convincing him to justify the international conflict by looking for enemies within, they inadvertently midwifed the monster birth of McCarthyism. Theories of that sort have been around for nearly forty years, since William Appleman Williams and his colleagues started doing the revisionist shuffle. His use of such clichés makes Wills look like an intellectual rag picker.

He looks like a partisan of the double standard too when he charges that Wayne's big directorial effort, *The Alamo*, distorts the facts. There are reasons enough not to like this film without becoming irritated that drama is not documentary. And Wayne was hardly the only director to get his facts somewhat wrong. Distortion of history, after all, is the cinematic trademark of Wills's fan Oliver Stone.

Reveling in *Schadenfreude*, Wills suggests in his discussion of *The Green Berets* that the unraveling of the American empire in Vietnam castrated the epic persona that had helped Wayne define American manhood. The U.S. defeat created a "postimperial time of fuzzed ideological focus," after which it was possible to embrace the once-toxic Wayne as a harmless anachronism and to enjoy his last films without worrying over the fate of the world. (So: domestication of the homicidal turns out to be yet another of the good works performed by the Sixties.) Wayne was offering an homage to himself in films like *True Grit* and *The Shootist*, where he could "still be seen as larger than life but he no longer posed a menace in the message he had preached." Wills appears to think we were better once the post-Vietnam syndrome had replaced John Ford's vision with the apocalyptic nihilism of Sam Peckinpah, and the John Wayne hero with the buffed solipsists played by Stallone and Schwarzenegger, who are at odds with rather than representative of the social order they narcoleptically serve.

Despite the occasional classy *aperçu*, reading *John Wayne's America* is like bathing in someone else's bath water. It is supposed to be about Wayne's World and at times it is. But it is even more about Wills's World. This is a place where America is always a bully hiding a sinister agenda; where its citizens are always on the verge of being stampeded into paranoid nativism by the image of a man on a horse; and where their fixation with Communism is always foolish because the Communist foe was internationally provoked and domestically manufactured.

Is it possible that Wills's World bears any semblance to reality? Anyone who knows John Wayne's films can easily imagine his raspy response: "That'll be the day." □

FILM

Crowd Pleasers

JOHN SIMON

WHAT makes a star? Why do crowds fall in love with A rather than B, when the sober observer can see no difference, and may even find both insipid or distasteful? Two new movies, however obliquely or indeed unconsciously, address this topic.

Private Parts, based on Howard Stern's first quasi-autobiography, is amusing and goes down all too smoothly. It is the story of a father-bossed, gangly Jewish youth from Long Island, who evolves into an enormously popular disc jockey. I am at a disadvantage here, never having seen Stern on TV or heard him on radio; the more outrageous, Sterner stuff is soft-pedaled in the movie. Some find this craven and dishonest; I myself am not sure whether, in the case of Howard Stern, less isn't more.

Though the screenplay is by Len Blum and Michael Kalesniko rather than Stern himself, he and many members of the Stern gang play themselves. Still, the terror is not political, merely against political, or any other kind of, correctness. It is really sophomoric sexual and scatological humor, but amid the doldrums of radio this can feel robust and prophylactic. The racial jokes which I gather also figure in the Stern repertoire are conspicuously absent.

What remains does have one spikier aspect than what's heard on the air: visibility. When a woman who calls herself the Kielbasa Queen and is famous for

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"deep-throating a 13-inch sausage" appears, the stunt becomes more blatant on camera than on radio. However, what makes such crude shenanigans feel anodyne is Stern's gee-whiz ingenuousness. We know that this beanpole is happily faithful to his charming and patient wife, Alison, with whom he has three beloved daughters, and that he only barks, never bites.

So the joke is that this iconoclastic braggadocio is practiced by a goofy, jo-

There is at least a weird canniness to Howard Stern, but what accounted for the popularity of Selena is less easy to fathom.

vial lout with big baby-blue eyes straddling a fleshy beak—a beak patently incapable of catching a fly, and good only for sticking into other people's lives. Even all that curly, shoulder-length hair that would instantly admit Stern to the British bar or the court of Louis XV is really only a disguise, a pretending to be Mick Jagger or the Earl of Rochester. Or, perhaps, to frighten his father, Absalom.

Under Betty Thomas's television-fostered direction, the film abounds in gags, many of which pay off. Especially those that involve Howard's battle with his superior, Kenny, an NBC executive, whom Stern affectionately calls Pig-vomit, and who is played with true comic gusto by Paul Giamatti. Kenny's attempts to hamstring Howard, and Howard's ingenious counterattacks, are the verbal equivalent of Charlie Chaplin's physical duels with his huge and ferocious comic adversaries. The film also gains from Alison's being portrayed by Mary McCormack, who could charm birds, including buzzards, out of the trees. Robin Quivers, Stern's chief radio sidekick, is delightful, too: in fact, the entire supporting cast is in fine fettle or feather.

■ There is at least a weird canniness to Howard Stern, but what accounted for the popularity of the Mexican-American singer Selena, killed at age 23 by a crazy woman who had worked for her, is less easy to fathom. I must stress that no type of today's pop music pleases me, and it may be that Selena Quintanilla Perez, the queen of *tejano* music, had genuine merit for others. She certainly packed them in at the Houston Astrodome and elsewhere, including a Mexico hostile to Mexican-Americans. And she was an American success story.

Still, one would have preferred a film biography of her whose executive producer was not her father. In ***Selena***, written and directed by Gregory Nava, whose two previous movies I managed to miss, we get a typical musical "biopic" with all the visual and verbal clichés, but put together with a certain artiness. The image format keeps expanding and contracting, there is much use of the split screen to show Selena from different angles and with different hairdos, and Edward Lachman has contributed moody cinematography replete with filter work.

The film begins with the struggles of a youthful Mexican-American trio, the Dinos. One member, Abraham Quintanilla Jr., much later starts up Selena y los Dinos, with his then ten-year-old daughter Selena as the lead singer, a son on electric guitar, and another daughter on drums. Over the demurrers of his loyal wife, Marcela, he gives up his regular employment to shepherd and drive about the family band, taking time off only to start, and fail with, a restaurant. Abraham is portrayed as a lovable loser, taking literal pratfalls, but one whose energy and faith in the American Dream raises his musical family to Latino success, and daughter Selena into a Grammy-winner. On the verge of crossover stardom, she is gunned down by a fan-club president she rashly appointed to run her fashion boutiques. Yes, fashion design was the multi-talented Selena's sideline, and the unhinged Yolanda had been caught embezzling.

There is nothing in the movie you couldn't have gotten from the newspaper accounts—perhaps not even that much. All the clichés about the kids wanting to play games instead of practicing to play music, but Mr. Q. keeping their noses to the grindstone, are there, as is the one about puritanical Mr. Q. trying to stop Selena from performing in a bustier. (For a while, I considered titling this review "Ta-ra-ra Bustier.") Also about how the group, despite Selena's imperfect Spanish, conquers Mexico. Because Mexican-Americans are viewed with suspicion by both Anglos and Latinos, "We've got to be twice as perfect as anybody else," reflects Mr. Q. during one of his periodic ethnic musings that deepen the film's impact by several millimeters. Selena becomes the champion of integration: "All those barriers in the past—you walk right through them as if they didn't exist!" Yet Selena worries: "I've been thinking about the crossover tour a bit. It's a whole different world for us. Are they going to love me, Mama?"

"Yes, they're going to love you," affirms strong, supportive Marcela, nicely played by Constance Marie.

Integration of another kind occurs when Mr. Q. is overruled about admitting Chris, a sexy, long-haired rock guitarist, to the *tejano* group. Over Mr. Q.'s strenuous protests, Selena even ends up eloping with the hirsute youth. But the assimilative *familia* finally accepts him as a full member, and all could be well. Selena tells Chris about the farm and all the animals she'd like to have, and coyly adds, "I've been thinking, maybe we could have some more animals of our own."

Chris, less adept at thinking, eventually blurts out, "Kids?" After repeating the word a couple more times, he hoists up Selena in his arms, and rushes off with her: "Hey, let's do it. Let's get started."

Alas, *dis aliter visum*. Obese, ugly Yolanda, caught with a hand in the till, shoots to kill her idol.

This last, potentially most interesting part, is rushed past us with unseemly haste. The movie is chiefly concerned with the star and the noisily adoring multitudes. Selena, ably embodied by Jennifer Lopez, tearfully concludes her Grammy-award speech, "I'd especially like to thank the fans, because without you we'd be nothing." But how much more is she with them, particularly when you consider that, thanks to one of them, she ends up dead?

The Hydra-headed monster goads its darlings to excess, then, out of love-hating envy, devours them. But to me, the most riveting aspect of the film was the spectacularly pockmarked complexion of "the Latino Olivier," Edward James Olmos, as Mr. Q. As the camera kept coming in for larger and larger closeups, I could blissfully pretend I was watching a documentary about lunar exploration, rather than mooning about the aptly named Selena. □

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DELECTATIONS

Cooking Children, Part I

DIGBY ANDERSON

ANNA, just married, came to the United States in 1959. As a girl in Sicily, she had learned how to cook by helping her mother. Her mother showed her how to make pasta with anchovies and breadcrumbs, *arancine* (fried rice balls), stuffed peppers, sardines with fennel, squid with capers, and countless other dishes. Not only did she learn to cook them, she learned how to choose the ingredients in the markets, how to do initial preparations—cleaning fish, salting fish, making pickles of vegetables (eggplant in oil, peppers in oil or vinegar, mixed vegetables in vinegar). Her family made their own wine and grew many of their own vegetables. Her cousins down the road kept a few chickens and some goats, and she knew about fresh eggs, and cheese, and about killing chickens.

In America she had two sons and one daughter, Caterina, who is now 35. Caterina learned some of this lore shopping, cooking, and cultivating from her mother. But in her teens she lost interest. Anna with no great reluctance gave up making her help in the kitchen. And Caterina herself has not taught her own daughter even those few skills she learned. A culture of centuries has been killed stone dead in less than forty years.

It's the same story with Maria, who came from Mexico in the Seventies, and even with some families from Pakistan and Bangladesh, Korea and Vietnam. Nor does it apply only to recent immigrants. Mike's family has been in America for nearly two centuries. They grew, selected, prepared, and cooked food, passing the knowledge down from generation to generation until the 1960s, when his mother broke the chain. He and his sisters were not interested, and his mother gave up trying.

Now put the Caterinas, Marias, and Mikes together, and multiply by a few million. All over the United States, what was preciously guarded and meticulously passed on has been casually and treacherously thrown away. Cooking—and not just cooking but knowledge about food, where it comes from, how to choose it, and even how to eat it properly—is little taught in schools. It is learned in the family, and if just one generation fails to do its duty, then the chain is broken, the food culture lost, and society uncivilized.

Cooking is learned in the family, or not at all.

That, dear readers, is what you have done if you failed to teach your children about food. The knowledge was not yours to pass on or not as you saw fit. It was held in trust and you have broken that trust. You have also failed your children.

To be sure, outside forces are at work. The feminists bear heavy responsibility for prejudicing girls and their mothers against the knowledge; for them it is axiomatic that working in a factory or being a lawyer is a higher calling than the knowledge and practice of food preparation. But that shows how little they have learned—from their own mothers—about food. It is also theoretically possible that the knowledge could be preserved in other ways, most obviously in books and TV cooking shows. In practice these do not work. They are not about the whole knowledge, but only about cooking techniques and scarcely even that. Learning about food takes years and requires an apprentice relationship. It also involves a fair number of humbling and repetitive tasks. A well-disciplined home can impose these. Television can't.

Unless something is done to halt the process America will soon be a society that knows nothing about food. Or to be more accurate, one where food knowledge is professionalized and held exclusively by restaurant chefs. That won't work either. When restaurants are not disciplined by *knowledgeable* customers, they have a license to bend and smash the rules concerning great food for their own convenience and to satisfy their ignorant, fashion-obsessed customers' whims.

Your families have to start again teaching children about food. If you lay claim to the title "conservative," that is what you must do. No exceptions and no excuses. In the next column, I will tell you how you must do it. But I can tell you now, there will be childish squeals, adult groans, broken nails, and entrails and blood up to your elbows. □

Mr. Anderson is the editor of Gentility Recalled: Mere Manners and the Making of Social Order *(Acton Institute).*

BOOKS IN BRIEF

Rules of Civility: The 110 Precepts that Guided Our First President in War and Peace, by Richard Brookhiser (Free Press, 90 pp., $16)

THIN, beautifully bound little books delight my soul. When I was one of Doubleday's authors, my editor would send me such a present at Christmastime. Once it was a collection of Shakespeare's sonnets, songs, and most powerful soliloquies—a book I keep near my bedside table. Such a small treasure is Mr. Brookhiser's *The Rules of Civility*, the 110 precepts that George Washington copied into a notebook as a young man and kept by *his* bedside. The first reads: "Every action done in company ought to be done with some sign of respect to those that are present," a refreshing adjuration in this churlish age. Mr. Brookhiser remarks in his introduction: "Americans act like louts and dress like louts because they are, in fact, boorish and loutish." A few paragraphs later he ruminates sadly, "There is a special reason why Washington's 'Rules of Civility' are not taken seriously today and that is the withering of the ambition to be great." Yes: the greatness of his character being one reason why the popularity of the first of our Founding Fathers has declined, repelling a people who fail to be revolted by the vulgarity of William Clinton.

—REID BUCKLEY

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O'SULLIVAN

(Continued from page 62)

praised the speech in general as eloquent and uplifting; but he expressed a prescient anxiety about one element in it. He worried that Sen. Dole's offer to be a bridge to America's better past would prove to be unsettling to an electorate that had generally shown itself to be optimistic and future-minded—and, he might have added, to a party which had just staged a convention celebrating diversity, victimhood, and other themes of New Class utopianism.

Of course, this theme may not have been crucial to Mr. Dole's defeat—to which, indeed, everything seemed to contribute. But there is no doubt that President Clinton and Mr. Morris independently reached the same conclusion as Bill Kristol—unless, that is, they were watching TV at the time and Bill actually tipped them off—and neatly turned the Republican's metaphor around to their own advantage.

Yet Mr. Dole was making a perfectly valid argument: that an America of safe streets, intact families, and caring communities was not an impossible dream but an achievable reality, since he and many people now living had inhabited just such a country. As Bertrand Russell once said, the existence of a thing is conclusive proof of its possibility. And it was also a deeply conservative argument. Conservatives, when seeking to describe the kind of society they find congenial, instinctively look to the past, whereas liberals and radicals look to the future. We cite the past because it seems to confirm our view of human nature; they cite the future because it cannot disprove their view of human nature. (Indeed, they generally have to invent a new sort of human being—Soviet Man, the Bicultural Canadian, the New European, the Universal American—if their new sort of society is to work at all.) We remember a Golden Age; they imagine a Utopia.

It would be a bad portent for conservatism, therefore, if a future-minded utopianism were to dominate the reaction of American voters on the social and national questions. But a closer examination of the electorate's opinions offers some comfort. The recent poll by Fabrizio & McLaughlin, examining the social groups making up the Republican coalition, reveals a large body of floating voters whose principal anxiety focuses on the fraying of America. They are concerned about crime, quotas, and almost certainly—though, curiously, the poll did not ask questions on these topics—about immigration and bilingualism. These voters were termed "cultural populists" by the pollsters, christened "Buchananites" by candid friends of the GOP such as E. J. Dionne, and promptly dispatched to the outer darkness. As with white males in 1994, it is probably not respectable to seek their votes, and a victory gained with them providing the crucial margin of support may be of dubious constitutionality.

They are also in danger of being misunderstood. They are not especially supportive of Mr. Buchanan—a little unfairly, since he has been the principal spokesman for their concerns. Most do not think of themselves as conservatives. Indeed, in their opinions, they are more "like" other Americans than, say, the "moralists" in the Republican coalition. Indeed, they may be too like most Americans: 44 per cent of them voted for Bill Clinton in 1996. And there are a lot of them. They account for just under a quarter of the GOP's voters and—more interestingly—for an even larger group among Democrats and independents. They are disproportionately young, disproportionately female, disproportionately situated in the growing regions of the country like the South and the West. They fit the ideal target voter profile for Republican pollsters—in every respect except one. They are too conservative, too realistic about the balkanization of America—too concerned, in short, about the issues which the Republican and conservative leaderships want to avoid.

What they demonstrate, of course, is that conservative nervousness and Republican passivity over the multicultural fraying of America is politically foolish as well as morally obtuse. These Americans know, with Macaulay, that an acre in Middlesex is better than a principality in Utopia, and they know, with Bob Dole, that their little acre was once safer and better tended than it is today. They would like to restore it to its earlier condition. Their only problem is that conservatives are giving them no one to vote for. □

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TRANS-O-GRAM / Siegfried R. Reiner

1 B	2 V	3 R		4 T	5 R		6 A	7 S	8 Y		9 G	10 B	11 H	12 V	13 T		14 Q	15 P				
16 Y	17 D	18 K		19 J	20 S	21 F		22 L	23 T	24 G	25 H	26 D		27 G	28 B	29 L	30 H	31 R	32 I			
33 W		34 S	35 F	36 O		37 I	38 A	39 F	40 M	41 H		42 Q	43 I		44 K	45 G	46 I	47 B	48 M			
49 W	50 P		51 L	52 O	53 U	54 P		55 R	56 E	57 M	58 D	59 P		60 J	61 I	62 N		63 E	64 X			
65 T		66 G	67 V	68 P	69 H		70 B	71 W	72 L	73 M	74 K		75 N	76 C		77 L	78 T		79 B			
80 U		81 T	82 K	83 W	84 U	85 M		86 N	87 Y	88 O		89 N	90 K	91 G		92 H	93 I	94 J	95 T			
96 V		97 X	98 Q		99 W	100 T	101 Y	102 E	103 M		104 M	105 C	106 E	107 H	108 A	109 I	110 W	111 F				
112 S	113 C	114 U		115 E	116 U	117 N		118 S	119 T	120 K	121 J	122 F		123 G	124 A		125 L	126 M	127 T			
128 P	129 O		130 L	131 O	132 X	133 K	134 Q	135 V		136 N	137 L	138 C										

DEFINITIONS

A. Departed — 108 38 124 6

B. Quaff — 28 79 1 10 47 70

C. Not any — 138 105 113 76

D. Bounder — 58 17 26

E. Anything whatever — 63 106 102 56 115

F. Tether — 122 21 39 111 35

G. Utopia, realistically — 45 123 27 66 24 9 91

H. Ivory-tower type — 92 11 107 30 41 25 69

I. Make the grade — 93 32 109 37 61 43 46

J. Forty-fifth state — 94 19 121 60

K. Prime Minister, created (1925) Earl of Oxford — 44 74 82 120 133 18 90

L. Make off with, to a Marxist — 130 77 22 125 72 137 29 51

M. Caught up — 57 73 126 48 85 40 103 104

N. London's Potomac — 89 75 86 136 117 62

O. Republican legislators excel at doing this — 129 131 36 52 88

P. Quintessential American humorist (2 words) — 15 59 54 68 128 50

Q. Typeface — 98 42 134 14

R. Hamlet — 3 31 55 5

S. Shrub-grown plain — 7 118 112 34 20

T. Horseman — 81 119 100 127 78 13 23 4 95 65

U. Like DNC dealings — 53 116 84 114 80

V. Chuckle, titter — 96 67 2 135 12

W. Set right — 71 49 99 83 110 33

X. Entrance to Holy Orders — 132 97 64

Y. Garden of our beginning — 16 101 8 87

DIRECTIONS

The object of TRANS-O-GRAM is to fill in the puzzle diagram by guessing the words from their definitions, and transferring each letter of the guessed word to the correspondingly numbered square in the diagram. When the diagram is filled in it will spell out a quotation from some published work (reading normally from left to right, black boxes indicating the ends of words); also, when the words have all been filled in above, their initial letters will spell out the author and title of the quoted work. The acrostic feature, and the relative word-lengths in the diagram, will assist in the solution. Spelling and definitions on the authority of *Webster's Deluxe Unabridged Dictionary*, Second Edition.

Solution to last issue's Trans-O-Gram. ST. MATTHEW: *Easter Morning*: "And the graves were opened; and many bodies of the saints which slept arose, And came out of the graves after his resurrection, and went into the holy city, and appeared unto many."

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ON THE RIGHT / Wm. F. Buckley Jr.

Drumming Up Ethnic Hurts

NEW YORK, MARCH 25

The grievance industry has an Asiatic division, and it is in overdrive against NATIONAL REVIEW in protest against its cover on the March 24 issue. What was on the cover? Let John O'Sullivan describe it. The three figures in the cover drawing "are shown in various Asian guises, each appropriate to his personality and/or part in the scandal. Mr. Gore was a Buddhist monk soliciting donations from the faithful; Mrs. Clinton was Madame Mao—the more fanatically ideological partner of the Great Helmsman; and the President himself, all things to all men, took on the features, Zelig-like, of the Asian businessmen to whom he was serving coffee in the Oval Office."

Now, that cover has stirred the ire not of Asian-Americans, who are too levelheaded to transmute caricature into race prejudice, but of defamation-seeking outfits that want to earn their keep. They are hectoring their constituents, pleading them to retaliate against NATIONAL REVIEW by, among other things, protesting to one of its advertisers, Toyota.

To achieve a little perspective on this technique, recall the memorandum issued by the Democratic National Committee during the campaign. A few reporters had run across the tracks of John Huang. The memo urged that all criticism of his activity (Mr. Huang was laundering foreign money through domestic sources) be denounced as "racist." An easy way to divert attention, but really rather contemptible. The *New York Post*, which has opined on the "Freedom of Satire," editorialized on Monday, "The arrival of speech codes on campus was an early warning signal: The pressures brought to bear on students are now being exerted on grown-up political journals. In refusing to grovel and apologize at the orchestrated outrage, NATIONAL REVIEW has struck a powerful blow for the future of American liberty."

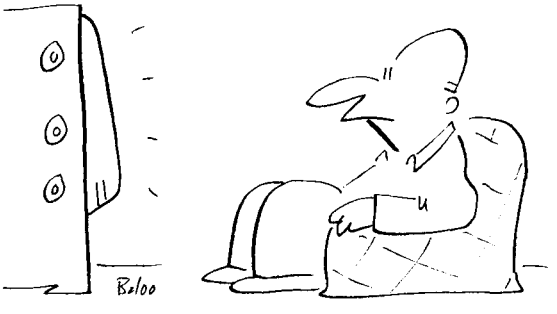
It is nice to receive such encouragement, and we thank the *Post* and call on our Asian-American brothers and sisters, many of whom voted Republican and all of whom stand to benefit from the policies advocated by their fellow conservatives, to show a healthy combination of scorn and amusement for the thunder of such as the Japanese Americans Citizens League. The League's most recent bulletin recorded the impenitence of Editor O'Sullivan "[even after] we flooded the NATIONAL REVIEW office with calls." The organization then instructs its readers to "flood" the offices of Toyota with protests against its advertisements in the magazine.

It is appropriate to pause to acknowledge this much, that in living memory a great wrong was done to Japanese-Americans when they were rounded up after Pearl Harbor and held in detention for the duration of the war. But it is unwise to infer from this awful injustice that Franklin Delano Roosevelt was an anti-Asian racist or that California's attorney general, Earl Warren, who promulgated the detention of the Japanese, was a racial bigot. High sensitivity is to be expected from those whose ancestors have suffered from discrimination—in the case of Jews, mass genocide. But polemical caricatures not intended as racial slights should not be taken as such. (It would amuse the political and cultural establishments of Taiwan and South Korea to suggest that NATIONAL REVIEW is prejudiced against Asians.)

Serious questions have been raised by investigators, lay and official, who have been looking at the fundraising activities of the Clinton Administration. Principals have acknowledged that some of the money ostensibly donated by Asian-Americans, who have the identical rights to make political contributions enjoyed by other Americans, was in fact an illegal contribution by foreign interests. The question—"Were some of these donations pursuing friendly Administration policy?"—was hardly initiated by NATIONAL REVIEW. The harassment of NATIONAL REVIEW is less pronounced (we have every reason to believe) than that directed against the *New York Times*'s "William Saphire" (as the DNC's Asian Pacific Affairs director, Bill Kaneko, refers to him), but all sensible people of whatever ethnic background should join in resisting hamhanded threats by humorless defamation-seekers. NATIONAL REVIEW's (and the *New York Observer*'s) renowned versifier W. H. von Dreele captured the spirit of the scene nicely in the same issue of the magazine:

Chinese Water Torture

Mr. Huang goes drip, drip, drip;
Mr. Chung, plop, plop.
Mr. Trie, who's from Taiwan,
Sometimes brings a mop.
Erskine Bowles is going nuts.
Moynihan looks wan.
Janet Reno stalls, but she
Knows it's not the john. □



"The following program may offend some people. The rest of you, however, will be pleasantly surprised."

Drawing the Line On Tobacco

NEW YORK, MARCH 21

Because it is a very big story, complicated distractions are cropping up. Most of these trace to the frustrations of the big four tobacco companies. They view the capitulation of the Liggett Group as very serious business, and they are certainly correct. If Liggett boss Bennett LeBow is up to something that has to do with prolonging the life of his company, or dressing it up for sale to someone as a cancer-complaint-free cigarette product, what do we care? Maybe it's true that when they start producing cigarettes that have written on them, "THIS PRODUCT IS ADDICTIVE," people will go elsewhere for their cigarettes, though for how long, no one can say. That is the big public news. The tobacco-fed chimera that the stuff isn't addictive or poisonous is disintegrating, like the wicked witch coming into contact with water.

One up for the public prosecutors! is the first reaction. It will take a century to expunge from memory the spectacle of the seven well-dressed tycoons, hands raised in eternal fidelity to the truth, giving their word that tobacco is not addictive. And, in another context, giving their word that no special efforts are being made to entrap the wretched 16-year-old into an expensive, self-destructive habit, often life-

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long, to end in the racking misery of lung cancer.

A second perspective on the problem asks: Ought the government to be the agent of the protection of the consumer? The healthiest beginning of any such inquiry has got to be: The truth must be told, and everyone must know what that truth is.

What the Liggett Covenant does is affirm, by a defendant, that the plaintiff was correct in its major assertions. And it goes further. It tells the plaintiff that it will cooperate in making the plaintiff's case. This means that Liggett is pledged to make available all the research at its disposal that will fortify the plaintiff when it lifts its sights to others of its targets. The big people, Philip Morris, R. J. Reynolds, Lorillard, and Brown & Williamson, are behaving like creatures in panic, and well they might. They speak of the sacred privacy of communications between principals and their legal representatives, from which the public gets the impression that revelations of such secrets would be embarrassing to the tobacco companies; as, surely, they must be. If it is revealed in the forthcoming examination of Liggett's papers that a tobacco-treatment formula was eschewed because it was insufficiently addictive, that is spicy information, and the public should have access to it. The public should have access, also, to devices by which the tobacco companies attract the children. There are records there, somewhere, that tell us how heavily the industry relies on telegenic smoking scenes in movies, on smoky rock music lines, on vending machines planted around the high schools.

To what purpose? The basic economic argument in the Liggett situation is that companies that sell tobacco impose on communities a special burden, namely the medical treatment of ravaged bodies. The welfare state walks into its own ambush by pledging to care for the sick irrespective of the reasons why the sick became sick. The citizen who courts alcoholism, AIDS, or lung cancer does not defray the costs of his own treatment, he passes them on to society at large. A public concern for the ill, irrespective of how they got that way, is understandable; but so is it understandable that those who have a hand in inducing illness should contribute heavily to the social cost of their products. It is accepted that a brand-new automobile is useless in the absence of paved roads and gas stations and garages and parking places. For that reason, the price of gasoline doubles or triples, after tax.

The challenge before the public is to weigh an important question: Should the levy on the tobacco consumer be made to compensate for the cost of physical damage to him? Or should it go past that boundary—toward the kind of paternalism associated with the drug laws?

That is a boundary that should be observed. The right to smoke can be modified by imposing the true cost of smoking on the consumer. But the right of the consumer to smoke, after accepting this burden, should not be impinged upon. □

Free TV for Pols?

NEW YORK, MARCH 14

Concerning Mr. Clinton's suggestion that television stations be bribed/coerced into taking on the financial burden of political campaigning, a few observations:

1. We are talking about a great deal of money, in the neighborhood of $400 million, or about 20 per cent of what is spent on national political campaigns. If we put this proposal through the constitutional wringer, we run up against the Fifth Amendment, a part of which specifies that "private property [shall not] be taken for public use, without just compensation." The proposed arrangements, it would certainly be argued by representatives of the television/radio industry, would violate the Fifth Amendment. The other side, arguing more persuasively, would take the position that indeed the reform brushes up against the Fifth, but isn't struck dead by it.

Two points here would be taken. The first that the airwaves belong, pure and simple, to the public, and that impositions on their use are properly public questions. The situation becomes more complex where cable is concerned, inasmuch as cable does not depend on federal allocation of limited bandwidths in the air. And the situation is further complicated by Mr. Clinton's apparent willingness to recommend giving existing license holders the right to multiply their holdings by a factor of five, exploiting new technology. At the early bargaining table, the government appears to be saying: Look, if you take on the burden of allocating two billion dollars of free time to political candidates, we will repay your sacrifice by giving you access to five channels in replacement of the one channel you now own/lease. Exit Fifth Amendment problems.

Advocates of the reform, without yet getting into specific aspects of how it would work, would surely acknowledge other impositions under federal law. When the order came down that no cigarette advertising would be permitted on television, the cost to the industry in revenues forgone came to hundreds of millions of dollars. The supervision of obscenity is for all intents and purposes nonexistent, but the right to supervise is at least theoretically acknowledged, and *Deep Throat* can't be shown in prime time on network television. From all of which we reasonably deduce that there are indeed rights that inhere in the public sector.

2. The contemplated reform would certainly eliminate some of the worst practices under the existing system. For one thing, it would greatly reduce the rental cost of the Lincoln Bedroom. Now it is about fifty thousand dollars. If it were reduced by 90 per cent, you could have it for five thousand dollars. The ideal solution to political financing is of course to reduce the period during which electioneering takes place, moving, say, toward the British model, which lasts just a few weeks. But of course the British model reflects distinctive institutions, notably, the party system. The British people do not elect a prime minister; he is a creature of the party. If you greatly dislike the party's creature, you can vote against the local candidate of that party.

That is a short and, in the opinion of some, a happy solution, but not one available under our Constitution, which lays down virtually no barriers to anybody wanting to be a congressman or, for that matter, a President. All he needs is—money. To do what with? Buy television time.

3. Most challenging, assuming the burdens above were discharged, is the question: How to administer such a law? Suppose that the congressman from central Connecticut presented his chit, allowing him a total of 65 minutes of free television time between Labor Day and Election Day. To whom would he present it? To the TV station in Hartford? Or would a share of it go to Bridgeport, another to New York stations, still another to Boston stations? Are there means of measuring the density of constituents tuned in to each station?

The easy answer is: These decisions are made every two years. All you would need do is follow the patterns already used by incumbents and challengers. But then what holes in the programs would the candidates be permitted to make? Would there be a pricing policy that uses up a greater portion of the Free-TV chit if you have it placed just as John Wayne raises his pistol for the shoot-out at the OK Corral? Or just when Sharon Stone removes her dress?—a reduced figure, given the frequency of the occurrence, but how much?

Would the stations have any rights to edit political copy, on the grounds that its length, or its content, would jeopardize enduring listener loyalties? Worth considering, these questions. □

(Universal Press Syndicate)

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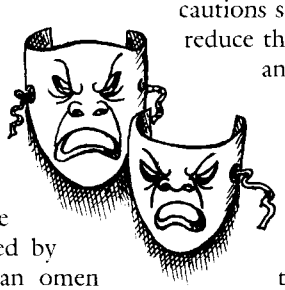
THE MISANTHROPE'S CORNER

FLORENCE KING

IT all started when I went to the mall to buy a new toaster. It should have been a day off, which in my case means not writing about America, not taking notes on America, not thinking about America. But such days don't exist. I got a column out of my day off, and here it is.

Shopping at the big discount chains is a painful experience for me because I'm scared of the Official Greeters, especially the one in the wheelchair. As soon as she sees you come in, she revs up and zooms in on you, shrieking, "How can I help you have a fun-filled shopping experience?" They had her in a TV ad once, racing through the aisles and burbling, "I love people! I love people! I just love people!" Having been stalked by irony all my life, I know an omen when I see one. If there's the slightest chance of someone being run over by a people-loving disabled American, it's a dead cert to be me.



My first task was getting into the store without being seen by the cadre of Official Greeters. There's a way to do this. Lighting a cigarette, I stood outside the door smoking until I saw a covey of Fam Vals approach: distracted parents, three or four kids, everybody dropping things and talking at once. If there's one thing OGs love even more than human beings it's kids, so I got behind the Fam Vals and surged in with them. It worked. As soon as the OG on duty saw the munchkins she shrieked, "Hiya, fellas!" and immediately engulfed them, allowing me to sneak past on my little cat feet.

I hadn't bought a toaster for twenty years so I was unprepared for the new four-slot models (one even had six) that had come on the market since then. Fam Vals again: the bigger the toasters, the better we feel about ourselves. Finally I found a two-slotter and bought it.

Miss King is the author of The Florence King Reader *and other books.*

Back home, I plugged it in and was about to throw the packing away when I noticed the "Use and Care Guide." I started reading it, and in minutes I was underlining my favorite passages and making marginal notes in typical workaday fashion.

It opens with "WARNING: A risk of fire and electrical shock exists in all electrical appliances and may cause personal injury or death." Next comes "IMPORTANT SAFEGUARDS: When using electrical appliances, basic safety precautions should always be followed to reduce the risk of fire, electric shock, and injury to persons, including the following."

What follows is a list of 17 Dos, Don'ts, precautions, safeguards, warnings, and dire caveats that leave nothing to the imagination, common sense, or sanity itself. Not even those unrivaled connoisseurs of peril, Jewish mothers and grandmothers of all stripes, could come up with a list like this. Things happen here that could happen only in a "Pink Panther" movie.

"Do not use appliance except as intended."

"Do not use outdoors or while standing in a damp area."

"Do not place on or near hot gas or electric burner, or in a heated oven."

"Do not place any part of this toaster under water or other liquid."

"Do not insert over-sized foods, metal foil packages, or metal utensils into the toaster."

"Do not clean with metal scouring pads. Pieces can break off the pad and touch electrical parts creating a risk of electrical shock."

"Use toaster in an open area with 4–6 inches air space above and on all sides for air circulation. A fire may occur if toaster is covered or touching flammable materials including curtains, draperies, towels, walls, and toaster covers."

"Failure to clean crumb tray may result in a risk of fire."

Is Paris burning? You bet; Inspector Clouseau has done with one toaster what von Choltitz failed to do with a whole German army.

Meanwhile, non-klutzy toast lovers are stymied by two SAFEGUARDS that never before crossed their minds: "Do not use appliance unattended" and "Unplug from outlet when not in use." You don't really have to go to the bathroom, it's all in your mind; just stand there and watch the toaster toast and everything will be all right as long as you remember to unplug it before going downstairs to get the mail.

At this point the guide dissolves in repetitive babble. SAFEGUARDS is followed by a CAUTION about extension cords, which "may be used if care is exercised in their use. If an extension cord is required, special care and caution is [*sic*] necessary." CAUTION is followed by another WARNING ("Unplug before cleaning. . . . Do not immerse in water"), followed by a four-point CAUTION, only two of which are new. One says: "Avoid using items with 'runny' frosting, fillings, icings, or cheese. This includes pre-buttered foods. When these substances melt, they cause a sticky build-up and may result in a risk of fire." The other new CAUTION says, "Do not physically hold down the toast lever," which, when combined with "Do not operate unattended," raises the distinct possibility that there are people in this world who get their kicks from hanging around toasters.

The purpose of this frenzied flyer is to protect the manufacturer against lawsuits, but there's more to it. The surface of American craziness is only the beginning; the really good stuff is found underneath. Looking at my day off as a whole, I would venture to say that there would be no litigiousness or Official Greeters if we had real Family Values, instead of the fake kind that hangs over everything from shopping malls to focus groups like a damp shroud.

I mean, for example, grandmothers who did not dye their hair and date, but lived with their married daughters and enlivened breakfast with: "If you stick a fork in that toaster you'll be burned to a crisp. There'll be nothing left of you except a little pile of ashes and everybody will say, 'Do you remember that poor little girl who electrocuted herself?'"

That's called a "loving warning," and if you grow up hearing them you won't have to sue people or hug strangers to get attention or prove that somebody cares. □

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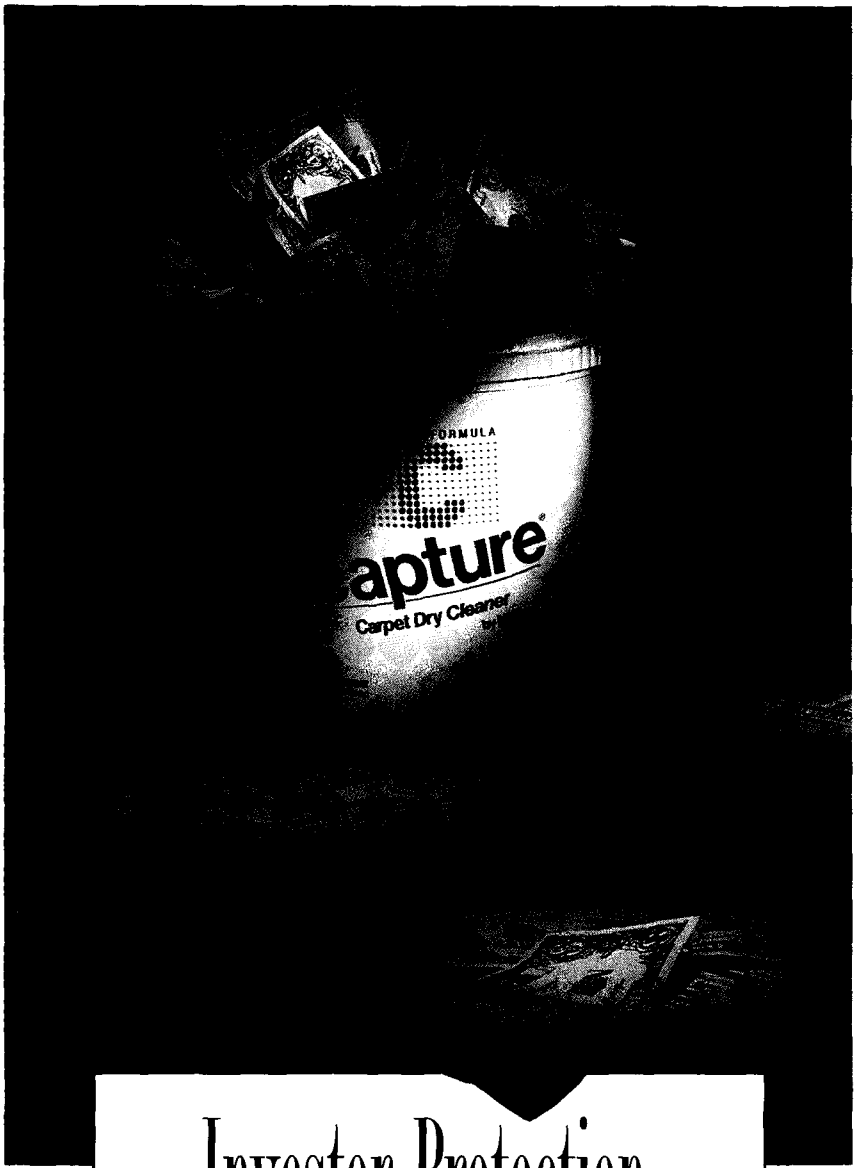

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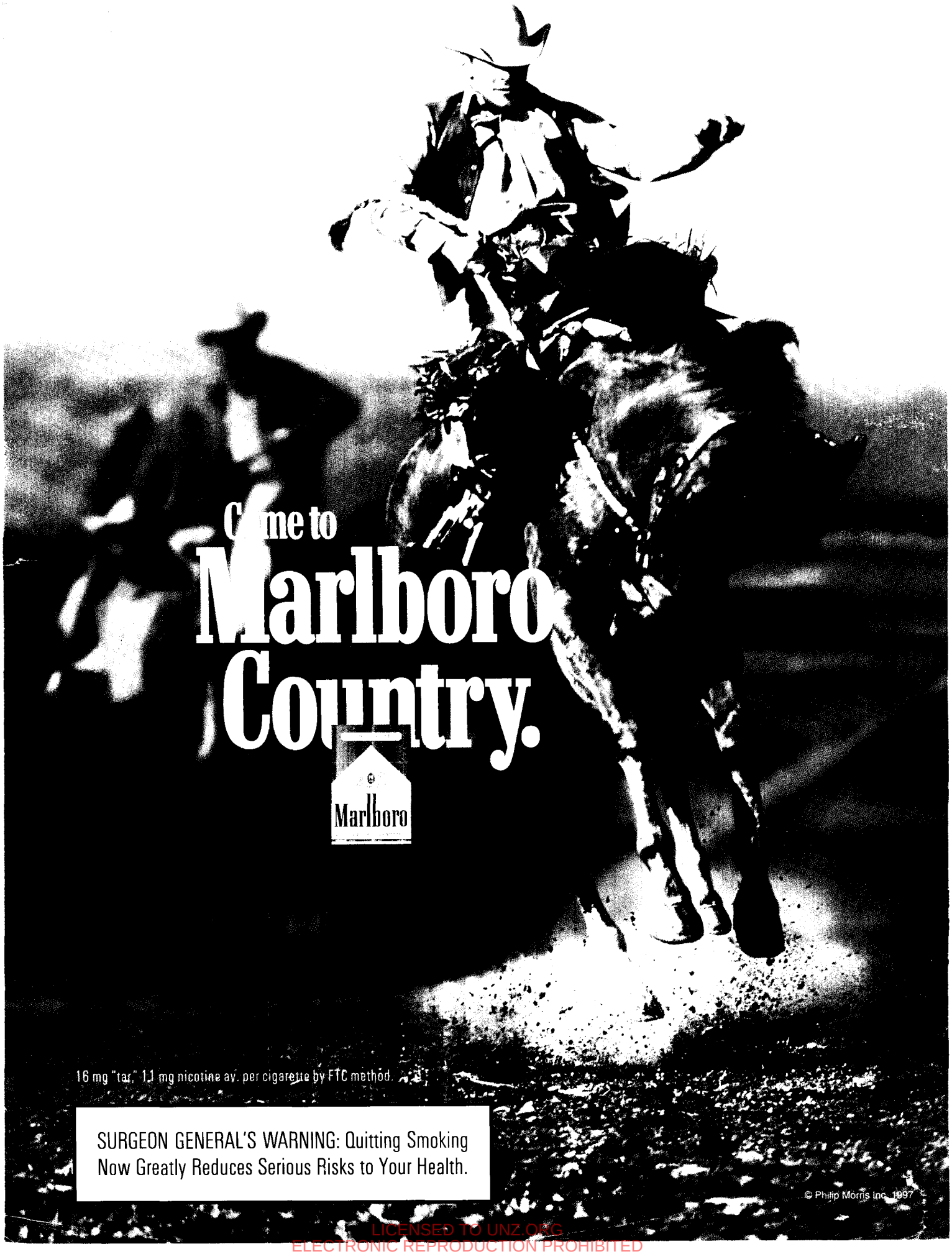

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